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Daily Report

East Asia

FBIS-EAS-95-106
Friday
2 June 1995

Daily Report
East Asia

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NOTICE: An * indicates material not disseminated in electronic form.

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Japan

Tokyo-Washington Auto Trade Dispute Discussed

OW0206012195 Tokyo ASAHI SHIMBUN in Japanese 1 Jun 95 Morning Edition p 2

[Article by Euichiro Kirimura, chief of the Tokyo Economic News Department: "Automobile Trade Friction Must Be Put on Agenda of Japan-U.S. Summit Talks — Tokyo, Washington Urged To Stop Emotional Recrimination and Seek Early Settlement"]

[FBIS Translated Text] I firmly believe that the summit talks are a venue for discussion of the most important bilateral issues.

I doubted the news reports when I heard that "automobile trade friction" will not become a major item on the agenda of Japan-U.S. summit talks to be held during the Halifax summit of major industrialized nations.

No settlement is in sight for the automobile trade dispute following the breakdown of the Japan-U.S. auto and auto parts negotiations, in which they rejected each other's demands. If left unsettled, the automobile trade dispute could heighten anti-American feelings in Japan and anti-Japan feelings in the United States. Because the automobile industry is broad-based, any U.S. sanctions against Japan could cause great damage to Japanese automakers and automobile-related enterprises. Other Asian nations are watching with strained attention how the automobile trade dispute develops. Friction between Tokyo and Washington could destroy the World Trade Organization (WTO), which has just been inaugurated.

Leaders of the two nations at their upcoming summit talks should discuss the automobile trade issue, which carries many risks. Leaders of the two nations should put bureaucratic details aside. What the prime minister and the President should do is to announce at the end of their summit talks that "The automobile trade dispute will be settled on the responsibility of the two economic powers. We want to stop the current emotional recrimination between the two countries, and we will make concessions to each other."

There are two persons I would ask to comment on this fuss if they were still alive — Yoshihiro Inayama and Naohiro Amaya. Inayama once said, when he served as president of the Keidanren [Federation of Economic Organizations of Japan], "The only way to defuse Japan-U.S. automobile friction in the 1980's is for Japan to control voluntarily its auto exports to the United States." The automobile industry rejected his comment, and in response Inayama called the industry greedy.

Amaya, who was more suited to become a social critic than a Ministry of International Trade and Industry bureaucrat, stressed somewhat self-disparagingly the "theory of a merchant-built state" [choninkokkaron]. Explaining how he felt when the economically powerful Japan stood up to the United States, he said, "the powerful tiptoe into a room."

Japanese bureaucrats have emphatically said: "Japan will no longer make concessions in the end. Japan will walk the royal road. Japanese businesses do not seek managed trade and cartels, and we do not allow others to do so. Japan will defend free trade." If Japan intends to go beyond what Inayama and Amaya spoke of, it needs determination. International Trade and Industry Minister Hashimoto once said, "We must promote the relaxation of regulations to keep our garden clean." I hope that he will work to keep not only Japan's garden but its living room and kitchen clean in order for Japanese to greet foreigners pleasantly.

Japan has insisted: "The Japanese auto market is open. To cite an example, cheap American-built automobiles with their steering wheels on the right-hand side are selling on the Japanese car market." At the present stage, Japan's insistence is reasonable. Japan needs to look at the past. Only recently, the number of domestic-oriented automobiles surpassed that of export-oriented automobiles, because Japanese automakers have expanded their production overseas. Until 1987 there were more than twice as many export-oriented automobiles.

In 1994, Japanese automakers turned out 1.6 times more automobiles than needed to meet domestic demand. In the same year, the figures in the European Union (EU) and the United States were 1.1 times and 0.8 times, respectively. If Japan continues to turn out automobiles in excess of domestic demand, it will cause friction with trading partners.

I heard an interesting comment from a banker: "There is a tacit understanding among German automakers that if the share of German-built automobiles on the U.S. car market reaches 5 percent, it is a danger signal."

I would prefer to call the danger signal a "boiling point." I do not know whether a boiling point actually exists, and it is unclear what happens there. What is important, however, is that an understanding exists among German automakers that "if we go beyond this line, we will encounter danger." This is European wisdom. Last year, the share of German-built cars on the U.S. car market was 2.1 percent, whereas that of Japanese-built cars was 29.5 percent.

The current friction between Japan and the United States over the automobile trade, following the disputes over textiles, steel, and semiconductors, calls into question the validity of Japan's automobile-dependent growth.

Japan's long-cherished view that it "makes more and more cheap, quality products to sell," is being shaken.

What should the two countries do before the Japan-U.S. summit talks are held? Among other things, the United States should indicate a willingness to postpone imposing sanctions against Japan. In other words, the United States should freeze the "negotiation by threat method." Meanwhile, Japanese automakers should make clear how many more American-made auto parts they are going to buy. Japanese automakers should set their own targets for the purchase of American-made auto parts, within the scope of their abilities. At the same time, both Japanese automakers and American auto parts makers should come up with ways to cooperate with each other to increase the purchase of American-made auto parts by Japanese automakers. In response, leaders of the two countries should "applaud their voluntary efforts and promise not to allow their governments to interpret their agreement as they please."

Once the two countries agree to avert the current crisis and Washington drops its plan to impose sanctions against Tokyo, I would like to propose that the WTO take up discussion of the closed Japanese market, the U.S. deficit, the irresponsibility of the United States as a key currency nation, and the best way to maintain Japan-U.S. relations in the post-Cold War era. At meetings with third countries, it wouldn't be a bad idea for the two countries to show enthusiasm for reforming their economic structures and exchange some promises.

Mondale, Hashimoto To Meet on Auto Talks

OW0206032395 Tokyo KYODO in English 0315 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — Japan's Trade Minister Ryutaro Hashimoto and U.S. Ambassador to Japan Walter Mondale will hold a meeting at 2 P.M. Friday [2 June] at the Ministry of International Trade and Industry, ministry officials said.

They will discuss the dispute between the two countries over trade in cars and car parts, the officials said.

U.S. Stance 'Softened'

OW0206073295 Tokyo KYODO in English 0710 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — The United States on Friday [2 June] softened its stance in its auto row with Japan, proposing that talks be held June 12 in Geneva in line with Japan's request.

Leaving a meeting with Trade Minister Ryutaro Hashimoto, Ambassador Walter Mondale said he proposed negotiations on "June 12 or June 13, probably June 12," and a second meeting following the Halifax Summit of the Group of Seven (G-7) nations on June 15-17 "at a place to be determined, probably also Geneva."

A formal request will come in a day or two through the Japanese representative at the World Trade Organization (WTO) in Geneva, and "I'm hopeful this will occur," Mondale told reporters as he left the Ministry of International Trade and Industry (MITI) chief's office.

Hashimoto had requested talks by June 15 in Geneva but U.S. Trade Representative Mickey Kantor responded with a proposal for talks in Washington on June 20-21. Hashimoto rejected that request.

Kantor wrote Hashimoto on May 26 that there was no need to treat the case as an emergency since the sanctions would not technically take effect until June 28, and U.S. officials had said they did not want the auto row to interfere with the G-7 summit or the June 15 meeting of Japanese Prime Minister Tomiichi Murayama and U.S. President Bill Clinton.

Japan argued that the sanctions were already hurting Japanese automakers and noted that even under non-emergency WTO procedures, the U.S. is obliged to begin consultations on Japan's May 17 WTO complaint within 30 days.

A senior MITI official, expressing his personal opinion, said after Mondale left that the subject of the bilateral row will probably not come up during the Murayama-Clinton one-on-one meeting.

Mondale left MITI to meet Foreign Minister Yohei Kono but did not indicate the topic on his way into that meeting.

Japan has sought urgent talks on neutral ground at the WTO on its complaint that threatened U.S. sanctions on Japanese luxury cars violate international trade rules and are damaging Japan's automakers.

It was not immediately clear why the U.S. offered talks clearly conforming to Japan's request on time and place, but Washington has reportedly been stunned by the harsh rebuke its unilateral actions have aroused from European and other countries, even those that agree that Japan must further open its markets.

Until Friday, the U.S. was pushing for later talks, aiming for a date closer to its June 28 deadline for imposing the 100 percent tariffs on 5.9 billion dollars worth of cars a year, retroactive to May 20.

Talks To Resume 12 Jun

OW0206093495 Tokyo KYODO in English
0919 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — Japan and the United States appear likely to resume automotive trade talks June 12 at the working level in Geneva since the U.S. bowed Friday [2 June] to Japanese requests on the scheduling of the meeting.

U.S. Ambassador to Japan Walter Mondale and Trade Minister Ryutaro Hashimoto agreed informally at the Ministry of International Trade and Industry (MITI) chief's office for renewed talks before a mid-June set of international summits as Japan had sought, both sides said.

At the meeting, Mondale proposed that talks be held "June 12 or June 13, probably June 12."

The ambassador also proposed a second meeting following the Halifax summit of the Group of Seven (G-7) leading industrialized nations June 15-17 "at a place to be determined, probably also Geneva," he told reporters as he left MITI.

Hashimoto accepted the first meeting and said MITI would "enter arrangements for June 12," a MITI official said, although he said it is not certain that date could be arranged logistically.

The talks will likely be at the expert level, said a U.S. official. He indicated that the U.S. sought to meet Japan halfway in accepting presummit talks in Geneva, saying Washington recognizes "the urgency" of Japan's appeal as threatened trade sanctions on Japanese luxury cars loom.

Whether, when and where to hold subsequent talks will be decided at the end of the presummit talks, both sides said.

The U.S. official said the Japanese side indicated in the Hashimoto-Mondale meeting that they want more talks but that they do not want to "relegate the first talks to something perfunctory."

U.S. Trade Representative Mickey Kantor called last week for meetings June 20-21 in Washington after the bilateral and G-7 summits, but Hashimoto responded with a request for talks on neutral ground at the World Trade Organization (WTO) by June 15.

Mondale's 50-minute visit was officially to tell Hashimoto that Japan will receive a formal reply in a day or two through its representative at the WTO in Geneva regarding its request for earlier talks.

Kantor had been pushing for talks closer to the U.S. deadline of June 28 for imposing the 100 percent tariffs on 5.9 billion dollars worth of cars a year, retroactive to May 20.

Japan filed a complaint with the fledgling WTO on May 17, charging that the unilateral U.S. moves "clearly violate" international trade rules.

The June 12 talks will be held "under WTO rules," both sides said.

U.S. officials would not specify why the U.S. offered talks clearly conforming to Japan's request on time and place, but "we don't see it as caving in," one official said. "We're trying to arrange talks. We're just working through normal diplomatic channels."

Reports from Washington have said the U.S. has been stunned by the harsh rebuke its unilateral actions have aroused from European and other countries.

One American official acknowledged disagreement over the U.S. means to pry open the Japanese auto and auto parts market, but stressed, "there is unanimity in the world that this market is closed."

He rated U.S. chances of prevailing ultimately in the WTO on the Japanese charges as "50-50," but said, "we will get our day in court," and expressed confidence that the U.S. could win a complaint that Kantor said it will bring to the WTO against alleged market restrictions.

Hashimoto repeated to Mondale the Japanese position that a deal could be struck quickly if the U.S. withdraws its unofficial demand that Japanese automakers increase their purchases of foreign parts, the MITI official said.

But one of the U.S. officials said the U.S. still regards the "voluntary plans" as essential to achieving the goal of the bilateral "framework" talks for significant increases in Japanese purchases of foreign parts. "You have to remember why we're negotiating here," he said.

JAMA Chief on U.S. Sanctions, Exchange Rate

OW0206123795 Tokyo KYODO in English
1206 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — If the yen-dollar exchange rate remains near current levels, the prices of imported U.S. automobiles in Japan will pose a real threat to comparable Japanese models, the head of Japan's biggest auto industry body said Friday [2 June].

Masami Iwasaki, chairman of the Japan Automobile Manufacturers Association (JAMA), said that "if a yen-dollar exchange rate of 80 to 90 yen to the dollar continues, imported automobiles will become a threat" to the Japanese auto industry.

Iwasaki, also vice president of Toyota Motor Corp., made the remark during an interview with KYODO NEWS SERVICE at the company's Tokyo branch office.

The dollar plunged below 90 yen on March 8 and has stubbornly remained in the 80 yen range.

Iwasaki vowed to continue a JAMA-led campaign on the U.S. media to inform U.S. consumers of the merits brought by Japanese automakers to U.S. society, such as increased job opportunities in U.S.-based Japanese plants and purchases of auto parts from U.S. suppliers.

"Our industry will do its utmost through our public relations activities," he said.

Iwasaki rejected allegations by the European Union and the U.S. Government that the Japanese auto market is protected with various official regulations.

"If you look at the automobiles running in the neighborhoods of Tokyo's Shibuya District, one third of them are imported cars," he said.

"The Americans have neglected efforts to design automobiles with right-hand-steering and with engine displacements of less than 2,000 cc," he said.

Iwasaki warned that the proposed duty, if implemented, would deal a serious blow to U.S. dealerships marketing Japanese luxury cars.

The sanctions "would rid those U.S. dealerships of any Japanese luxury car models," he said.

The sanctions will deal a heavy blow to U.S. industry too, he said, "because Toyota has been importing from 13 U.S. auto parts suppliers 100 million dollars worth of parts for use in the (Lexus) models targeted by the sanctions," he cautioned.

The 100 million dollars in procurements do not include the value of U.S.-made auto parts used in less expensive Toyotas, he said.

Asked whether Toyota is ready to comply with a U.S. Government request to work out a plan to buy a greater volume of parts from U.S. suppliers, he said the answer is no.

"The era of continuously mounting production is over and production (charts) are taking a beating," he said.

"Even if they tell us to buy this or that amount of parts in this or that coming year, it would be hard to comply," he said.

If any announcement by a Japanese automaker of such a procurement goal were perceived by the U.S. Government as a mandatory numerical target, Japanese automakers "would be annoyed" whenever perceived non-compliance led to U.S.-impose sanctions, he said.

Mondale, Kono Debate Aviation 'Beyond Rights'

OW0206094095 Tokyo KYODO in English 0906 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — U.S. Ambassador to Japan Walter Mondale urged Japan on Friday [2 June] to adhere to a bilateral treaty on air service and honor U.S. airlines' "beyond rights" to third countries, a Foreign Ministry official said.

Mondale made the call in a 30-minute meeting with Foreign Minister Yohei Kono at the Foreign Ministry, saying it is regrettable that the two sides have failed to solve the row despite months of negotiations.

Federal Express Corp. has "beyond rights" under the bilateral aviation treaty, and a solution to the problem will enable "constructive" discussions on expansion of air cargo, Mondale was quoted as telling Kono.

Mondale, however, told reporters he did not discuss reported plans by the United States to impose sanctions on Japanese air cargo flights if Japan failed to fulfill the bilateral agreement.

"We talked about some of the civil air issues, and it was a very general discussion, " Mondale said on emerging from the meeting with Kono.

"Our government's hope is that we can resolve these differences that have been around for some time. I just wanted to come and see the minister for foreign affairs to talk about our hope that we can make some progress."

According to the ministry official, Kono told Mondale that Japan wants the 1952 aviation treaty to be amended because it considers the treaty to be unequal.

Japan hammered out a proposal during informal meetings and now wants the U.S. to submit a counterproposal, he was quoted as saying.

But the official declined to disclose the contents of the Japanese proposal.

Kono also told Mondale it is important for the two countries to solve the row through negotiations, the official said.

The dispute may be discussed during the summit talks between Prime Minister Tomiichi Murayama and U.S. President Bill Clinton on June 15, he said.

The U.S. is particularly urging Japan to accept a request made by Federal Express in the early 1990s for its plan to add the island of Cebu in the Philippines to its list of cities served from Japan.

U.S. requests also on hold include a plan by United Airlines to add Kuala Lumpur on its route from the newly built Kansai International Airport in Osaka.

Japanese Transport Ministry officials have suggested that Japan will impose its own retaliatory sanctions if the U.S. side takes such action.

The ministry wants to renegotiate the aviation agreement before accepting the requests, citing excessive use of beyond rights as major problem with the old treaty.

But the U.S. side has refused to consider such formal talks that involve limiting the rights, while pressing Tokyo to approve immediately the Federal Express plan.

U.S. Secretary Pena To Call Transport Minister

OW0206131695 Tokyo KYODO in English 1257 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — U.S. Transportation Secretary Federico Pena will make a telephone call Saturday [3 June] morning to Japanese Transport Minister Shizuka Kamei to seek a breakthrough in the stalled bilateral aviation talks, Kamei said Friday.

Kamei said U.S. Ambassador Walter Mondale told him in a meeting earlier Friday of Pena's wish to talk directly with him.

The bilateral aviation talks in Washington were broken off May 23, with negotiators failing to narrow differences over a U.S. demand for new air cargo services to the Philippines via Narita Airport outside Tokyo.

Citing Japan's alleged refusal to fully honor a bilateral aviation accord, Washington is moving to impose sanctions against Japan if no progress is made in the talks.

Mondale also met Friday with Japanese Foreign Minister Yohei Kono and repeated the U.S. demand that Japan accept U.S. flights to third countries via this country, Japanese officials said.

Defense Technology Cooperation With U.S. Viewed

OW0206061695 Tokyo DRC in Japanese May 95 pp 8-9

[Article by Hiro Abe, member of the DRC Research Committee; adviser to Japan Air System Co.; Lt. Gen., ASDF (Ret.)]

[FBIS Translated Text] In the fall of 1991, just as the DRC was preparing to dispatch its first overseas survey team, prior to departing on a visit to Northeast Asia, US Secretary of State James Baker publicly stressed the importance of US ties with Japan and spoke of his expectations for exchanges of defense-related technologies between the two allies. These expectations in regards to interchange in the area of defense technologies were soon given concrete form by then Deputy Secretary of Defense William Perry, who at that time was in charge of policy formulation. His proposal latter came to be referred to as the "Perry Initiative."

This plan had two sides to it. It was designed to promote mutual interchange of defense technologies and civilian technologies. In that way Japanese civilian technologies would become available for use by the US military, while at the same time the adaptation of military technologies to civilian uses hopefully would help energize economic activity.

In the past in the United States when it came to military technologies, research and development were given precedence and civilian technologies were considered as something without applicability to defense needs. American policymakers thought that their nation's victory in World War II resulted from an alliance among science, industry, and the military. They felt that it was important to continue to give priority to this arrangement.

For that reason, for the most part research and development in the United States was supervised by the Defense Department and much of this R&D had to do with military technologies.

As for Japan, in the aftermath of World War II the development of military technologies was forbidden and the production of weapons was simply out of the question. That situation was changed by the outbreak of the Korean War and the Cold War standoff between East and West. Japan, which had disarmed and promised that it would never again possess weapons, now began to receive military technology from the United States.

The Cold War crystallized the situation for the Japanese and led to a sharp division of opinion within the country as well as hesitation to produce weapons. These are the roots of the neglect shown by Japan when it comes to military technologies.

It was also clearly felt that considering the fact that both of the ideological camps enjoyed no peace of mind despite the fact that they possessed enough nuclear weapons to destroy the entire world, it would be quite simply cruel to further build up military armaments.

Nevertheless, after Ronald Reagan, a confirmed advocate of a strong America, was elected US president, Washington embarked on a program of increasing military expenditures and built up its stockpile of armaments. The Reagan Administration also believed that the keys to defense security were not all to be found on the earth, and it therefore sought them in space (in the form the "Star Wars" strategy). At this juncture the Soviet Union and several other members of the Eastern camp suffered economic collapse, which overnight led to an end of the East-West military confrontation. With this destruction of the Cold War structure, outbreak of a major war became unthinkable. So the United States began a wholesale reorganization of its force structure. Then in the summer of 1990 President George Bush announced a major reduction in military strength designed to curtail defense expenditures and thereby revitalize the economy. At the same time, Washington made a strong bid for a reverse flow of advanced Japanese technologies that presumably would give a boost to this economic revitalization. Among these were unique Japanese military and civilian technologies that had originally been an outgrowth from US military technologies. Now the United States wanted these offshoot technologies to play a role in maintaining US military superiority and helping that country recover its economic muscle.

Prior to that time, in 1985, a major adjustment in the US dollar- yen exchange rate took place aimed at solving the problem of Washington's huge trade deficit vis-a-vis Japan by spurring US exports. However, contrary to expectations, the bilateral trade imbalance continued to expand, in 1987 surpassing $50 billion for the year. The United States placed part of the blame for the huge imbalance on "technology friction" and strongly pushed for Japan for reciprocal transfer of technology to its partner.

The Japan bashing phenomenon that began in this area in 1987 eventually came to be known as the "88.89 Syndrome." It has evolved into a characteristic US phenomenon, since that country continues to simultaneously suffer from fiscal and trade deficits. Recently US stock markets have been setting new records. Although three years ago a pall of gloom hung over Washington D.C., on my most recent trip we found the atmosphere in the city to be bright and clean.

The officials we talked to emphatically argued that Japanese has been receiving technology but never giving any back in return. They suggested that instead the provision of jointly developed technologies is what is needed to create an in- depth relationship of trust. Perhaps it is because the United States has regained its confidence, or perhaps it is because it has sized up the state of Japan's technology, but we could not help but feel that the US perspective on Japan has changed of late. While in the United States we could observe up close how the US force reduction is being carried out on schedule, leading to the closure of numerous military bases and a sharp reduction in defense personnel. In addition, the procedures for transfer of military technology to the civilian sector have been established and have begun to be implemented. Now all we have to do is see when and to what degree this effort will prove effective in contributing to the revitalization of the US economy.

We also took advantage of this opportunity to discuss with US officials Japan-US cooperation in the field of military technology. It was felt that the inevitable reduction in spending on R&D made it advisable for the two countries to join hands in this regard. A consensus was reached that considering the current budgetary restraints it does not make sense for the two sides to engage in the same R&D efforts independently and that they should instead cooperate.

Naturally political leaders will first have to give their approval and top administrators give the go-ahead. But as far as the working-level officials who would be actually responsible for implementing such a plan are concerned, the following comment holds true, "Considering the budgetary constraints, such a plan would be more than welcome." Of course, the development of various technologies will vary greatly depending on their intended applications. Moreover, when it comes to technology, nationalism is a factor that must be considered. It is quite difficult to transfer technologies that have been developed through great effort, even if it is to an ally. Such development requires an enormous financial investment. And it is often difficult to attain what is expected.

Nevertheless, I foresee the demands for technological cooperation to become more strident. Considering these feelings, true technological cooperation is going to be an extremely difficult proposition.

Be that as it may, I think it is fair to say that inadequate spade work in the past has invited this situation. What we need now is clear agreement on what can be done and what cannot be done, as well as on how the benefits are to be shared. Unless bilateral cooperation results in better technology at lower cost, it would be meaningless.

Unless sufficient preparatory work is done, we are going to invite chaos, and breed mutual distrust. In addition, such a failure is sure to have a deleterious impact on this "most important of bilateral relationships."

Cooperation in the field of military technology is a course that doubtless will inevitably have to be pursued. Admittedly, many difficulties are sure to be encountered. But if it proves successful, we will be in the position to make a major contribution as allies to the peace and stability of the world.

Tokyo Agrees to DPRK Normalization Talks

OW0206073795 Tokyo ASAHI SHIMUBN in Japanese 1 Jun 95 Morning Edition p 3

[FBIS Translated Text] In response to the DPRK's (North Korea) request to "hold talks in Tokyo and Pyongyang alternately" to resume talks on normalization of diplomatic relations, the government basically decided on 31 May to agree to this.

It seems that this is a step forward for resuming bilateral talks. However, concerning the list of officials assigned to the talks, which the DPRK submitted at the same time, the government notes that "there is need for further discussion on the matter because the ranks of the negotiators are not clear," (according to a senior official of the Ministry of Foreign Affairs).

In addition, since it is indispensable to watch progress to be made at the U.S.-DPRK talks on supplying light water reactors to the DPRK, which is currently being held in Kuala Lumpur, there is still no concrete schedule for resuming the bilateral talks.

Tokyo To Consult ROK on Rice Supply to DPRK

OW2905090795 Tokyo KYODO in English 0624 GMT 29 May 95

[FBIS Transcribed Text] Tokyo, May 29 KYODO — Japanese ruling coalition leaders agreed Monday [29 May] to provide requested rice to North Korea for humanitarian reasons after obtaining South Korea's understanding.

The accord was reached at a meeting of government and ruling coalition leaders, who discussed Foreign Minister Yohei Kono's report favoring the rice supply, officials said.

Kono's report was based on a conclusion to that effect drawn at his meeting earlier in the day with two other coalition party heads, Prime Minister Tomiichi Murayama and Finance Minister Masayoshi Takemura.

The coalition plans to dispatch a special envoy to Seoul to gain the South Korean Government's understanding for sending rice to North Korea, where food shortages are reported to be widespread and acute.

On Saturday, a South Korean Government official said Japan should supply rice to North Korea only after South Korea has done so in an effort to improve inter-Korean relations.

The comment was in response to reports Friday that Murayama was preparing to order the supply of rice to North Korea following a request from a North Korean delegation, which acknowledged North Korea's long-rumored food shortage.

Kono Urges PRC To Stop Nuclear Tests

OW0206145195 Tokyo KYODO in English 1436 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — Foreign Minister Yohei Kono on Friday [2 June] repeated Japanese calls for China to stop conducting nuclear tests and make efforts to conclude the Comprehensive Test Ban Treaty (CTBT) as soon as possible, a Foreign Ministry official said.

In a meeting with Chinese State Councillor Li Tieying, Kono also indirectly called on China to improve relations with the United States currently marred by a U.S. decision to allow Taiwanese President Li Teng-hui pay a private visit to the U.S.

Touching on China's underground nuclear test on May 15, Kono called on China to understand the Japanese people's special feelings toward nuclear weapons because Japan is the only country to have suffered atomic bombings, the official said.

The Japanese Government takes into account the public feelings when extending Official Development Assistance (ODA) to developing countries because taxpayers' money are used for the economic aid, Kono was quoted as saying.

Li reiterated China's stance that it is exercising self-restraint over its nuclear experiments and that it hopes the CTBT will be concluded by 1996, the official said.

Following China's latest nuclear testing, Japan has indicated it will reduce its grants-in-aid to the country as a means to express its strong disapproval of the act.

But it has not disclosed specific amounts of the cuts.

According to a senior ministry official, there are strong voices within the ruling coalition government that Japan should take tougher actions against China in connection with the nuclear experiment.

Kono's talks with Li were the first meeting between Japanese and Chinese high-level officials since the recent nuclear test.

During the 30-minute meeting, Kono said Japan, the U.S. and China have important roles to play in securing stability in Asia and that the three countries should cooperate in solving problems, indirectly urging Beijing to improve ties with Washington.

Li replied that China should build a long-term and stable relationship with the U.S. because it greatly benefits both countries.

But Washington's recent decision to allow the Taiwanese presidential visit violates the three joint communiques signed between China and the u.S., in which Washington recognized Beijing as the only legitimate government of China, Li was quoted as saying.

China is currently watching developments, Li was quoted as telling Kono, adding that it is considering a further response.

He also said he hopes the situation will not turn for the worse, but that the problem over Taiwan concerns the sovereignty of China and the feelings of 1.2 billion people.

Beijing has strongly protested the U.S. decision and has been urging Washington to reconsider its position.

Kono repeated the Japanese position on Taiwan, that it intends to abide by the 1972 joint communique establishing Sino-Japanese diplomatic relations, in which Tokyo recognized Taiwan as an "inalienable part" of China and pledged respect for the position of the Beijing government with regard to the island.

During the meeting, Li did not bring up Japan's invitation of Taiwanese officials to the upcoming informal summit meeting of the Asia-Pacific Economic Cooperation (APEC) forum, to be held in Osaka this November, the official said.

Japan, which is to host the meeting, has indicated it will stick to the policy taken at two previous APEC informal summit meetings in Seattle and Bogor, to which Li was not invited.

PRC Official Urges Murayama To Recognize Past

OW0206062095 Tokyo KYODO in English
0554 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — Chinese State Councillor Li Tieying urged Japan on Friday [2 June] to "correctly" acknowledge its militaristic past for the sake of friendly bilateral relations with China, government officials said.

"We hope to develop Sino-Japanese ties for the future, based on the correct recognition of the past," Li told Prime Minister Tomiichi Murayama at a meeting at his official residence, in comments on this year's 50th anniversary of the end of World War II.

Li, a member of China's ruling Communist Party's political bureau, said Beijing hopes to build lasting friendly relations with Tokyo, the officials said.

In response, Murayama reaffirmed that the correct understanding of history is "important." During a visit to China in May, the premier stated Tokyo's commitment to world peace based on remorse for its wartime wrongs in China and other Asian nations.

Murayama also told Li that close relations between Japan and China play an important role in ensuring stability and peace in the Asia-Pacific region, the officials said.

They said Li did not broach the subject of China's recent underground nuclear test which triggered international protests, nor Tokyo's cutting of grant-in-aid to China in response to the test.

PRC Seeks Joint Venture Project in Spratlys

OW3105062395 Tokyo KYODO in English
0546 GMT 31 May 95

[FBIS Transcribed Text] Manila, May 31 KYODO — China wants to be involved in development of the oil-rich Reed Bank within the Philippine claim in the Spratly Islands, and is willing to consider international cooperation and capital participation in the project, according to a report obtained by KYODO NEWS SERVICE.

Special envoy to China Alfonso Yuchengco, in a report to President Fidel Ramos, said Chinese Assistant Foreign Minister Wang Yingfan informed him in a meeting in Beijing on May 19 that China has already nominated China National Off Shore Oil Corp. to enter into a joint venture with Filipino partners.

The three-page report dated May 22 said China is willing to participate in scientific surveying in the Reed Bank, which is believed to sit on rich oil deposits.

"We can always have a good discussion (on international cooperation) as long as there is good intention," Yuchengco quoted Wang as saying.

"This is new," Yuchengco said in his report. "China never in the past agreed to international cooperation and international capital participation."

Yuchengco, a business leader and former ambassador to Beijing, was sent by Ramos to China last week to explore ways to ease tensions over Chinese-built structures on the Philippine-claimed Mischief Reef.

A separate report also obtained by KYODO NEWS SERVICE quoted a member of China's National Security Board [as received], Wang Luguang, as telling a Filipino official that China would be willing to enter into multilateral development ventures in the Spratlys but would like to calibrate it in order to leave out the United States.

The security official told Brig. Gen. Ismael Villareal, commandant of the Joint Service Command and Staff

College who headed a 76-man delegation to China earlier this month, that China would rather approach the Spratlys development issue initially on a bilateral basis with Manila, then later involve other countries excluding the U.S.

"As the security environment improves and as the initial Philippine-Chinese development project is already going, China may suggest to the Philippines to invite another country, say Malaysia, to participate in another economic venture, this time with a Philippine-Malaysian-Chinese one," Villareal said in his report to Ramos dated May 17.

"The entry of other Asian countries into this development program shall follow this procedure with the Philippines as the prime mover," Villareal said. He added the procedure, in China's view, would keep the Americans out of the picture.

If U.S. participation is sought, it could be controlled by Asian countries concerned, Villareal quoted the Chinese official as saying.

Last year, Manila allowed U.S. oil giant Alcorn [name as received] to conduct preliminary studies on possible oil exploration in the Reed bank, which is within the Philippine-claimed portion of the Spratlys that it refers to as the Kalayaan Island group.

Philippine military analysts believe China's construction of what appear to be military installations is a strategy to strengthen its position in the Spratlys and gain a foothold in the Reed bank. China insists the structures are shelters for fishermen.

China, Vietnam and Taiwan claim all of the Spratly Islands while the Philippines, Vietnam and Brunei claim portions of it. All but Brunei have troops stationed in the area.

Editorial on Li Teng-hui's U.S. Visit

OW3105122395 Tokyo ASAHI SHIMBUN in Japanese 24 May 95 Morning Edition p 5

[Editorial: "President Li's U.S. Visit and Japan's Position"]

[FBIS Translated Text] Taiwan President Li Teng-hui is going to pay a visit to the United States, although it is an unofficial one. This is the first visit to the United States by Taiwan's president since Taiwan's diplomatic break with the United States in 1979.

Concerning the visit, the PRC made a protest to the United States, saying: "This undermines the PRC's sovereignty and the cause of peaceful unification." The PRC is poised to take some retaliatory measures against the United States if the president's visit takes place. It is feared U.S.-PRC relations will deteriorate and tension in Asia will heighten.

A visit to the United States has been President Li's earnest wish. He has visited Southeast Asia, Central America, and the Middle East since last year, but has been unable to gain international recognition of Taiwan. He faced the humiliation of not being allowed to leave the airport in Hawaii, where he stopped on his way to Central America.

Taiwan expects that the realization of Li's visit to the United States will pave the way for subsequent visits to other developed countries. Through these visits, Taiwan wants to make the international community recognize it as a "political entity," and hopes for future reentry into the United Nations.

Behind the U.S. decision to allow President Li to visit lies Taiwan's rapid economic development and progress in democratization. Above all, the recent unified elections, as well as democratization — such as a direct election of president, which is to be held early next year — has increased the U.S. Congress's support for Taiwan.

The Clinton administration initiated a new Taiwan policy, such as allowing Taiwan's high officials to pass through the United States in September. This time the administration has further upgraded its treatment of Taiwan. Behind this decision lies the friction between the United States and the PRC over such issues as the PRC exporting nuclear power plants to Iran, suppressing human rights, and delaying democratization.

However, things will not go according to Taiwan's wish. It is inevitable that the PRC will raise strong opposition to the U.S. moves. Moreover, the United States has declared that it will observe the "one-China" policy. And it seems that the United States is determined to avoid an all-out showdown with the PRC.

To the PRC, Taiwan poses the most important problem not only because its reform and open policy are well under way, but also because Hong Kong's return is imminent. Furthermore, the post-Deng Xiaoping period is approaching. It may be difficult for the Jiang Zemin administration to take a compromising policy diplomatically.

This year President Jiang Zemin presented eight proposals for unification, and President Li Teng-hui answered six of them, thus showing signs of a dialogue between the PRC and Taiwan. The PRC and Taiwan have decided to resume their suspended nongovernmental summits in July and a semi-summit is to be held in May.

President Li's visit to the United States may discourage such moves, or rather, there is a risk of the visit intensifying tensions between the PRC and Taiwan.

Moreover, the deterioration of U.S.-PRC relations may adversely affect the semi-high level talks going on in Kuala Lumpur between the United States and the DPRK over the DPRK nuclear issue. The maintenance of cooperation between the United States and the PRC on this issue is indispensable for the future development of the talks.

After all, the peaceful talks between the PRC and Taiwan are the only way to maintain peace in the Taiwan Strait and to solve the Taiwan issue. Neighboring countries, including Japan, should continue to make efforts for the promotion of talks between the PRC and Taiwan.

There will be no need for Japan to go along with the United States immediately just because it has accepted President Li's U.S. visit. It may be wiser for Japan to allow itself free scope for acting as an intermediary for the alleviation and peaceful settlement of U.S.-PRC and PRC-Taiwan confrontations.

As in the past, it will be better for Japan to maintain its posture and grasp a change in the situation calmly, so that the unofficial Asia Pacific Economic Cooperation [APEC] forum summit meeting, to be held in Osaka this fall, will succeed.

MOFA Considering APEC Invitation to Taiwan

OW2705062695 Tokyo SANKEI SHIMBUN in Japanese 25 May 95 Morning Edition p 2

[FBIS Translated Text] The government decided on 24 May that it should not make public who the addressee is on its invitation for Taiwan to attend the informal summit at the Asian-Pacific Economic Cooperation (APEC) forum to be held in Osaka in November.

A top official of the Ministry of Foreign Affairs [MOFA] hinted that his ministry was thinking about doing the same thing the two preceding host countries have done in dealing with question of whether to address it to President Li Teng-hui or not, and noted: "Neither the United States nor Indonesia revealed it." Following the U.S. decision to allow President Li's personal visit to the United States, the Japanese Government is afraid this matter of how to handle the invitation will cause a problem in Japan-Taiwan or Japan-PRC relations.

Regarding Taiwan's representative to the informal APEC summit in Osaka, Prime Minister Tomiichi Murayama told Premier Li Peng at the Japan-PRC meeting of 3 May that "the precedent set in the Seattle event will be followed." He thus indicated Japan does not plan to have President Li attend the Osaka event, following the practice at the APEC meetings in Seattle in 1993 and in Jakarta in 1994.

The government now plans to send out invitations to 18 countries or regions by August or September, but as far as the invitation to Taiwan is concerned, stories are that for the past two events, "invitations were addressed to President Li Teng-hui under the tacit understanding that an economic minister would attend instead." But neither the United States nor Indonesia revealed who the addressee of their invitations was out of "consideration for both the PRC and Taiwan" (according to a MOFA official). Taiwan has never revealed who the addressee was either.

Meanwhile, regarding the fact that the United States has decided to permit President Li's visit to that country, MOFA Administrative Vice Minister Kunihiko Saito said, "Japan's action (with regard to Taiwan) does not change as a result of such U.S. action," but it is possible that President Li will step up his diplomatic offensive against Japan, for instance, by asking to be allowed to make a personal visit to Japan for the purpose of visiting his alma mater, Kyoto University.

The PRC is against the summit attendance of Executive Yuan Vice President (equivalent to vice premier) Hsu Li-te as well the attendance of President Li. There is now a growing possibility that Hsu will be permitted to attend the event only because he also holds the post of chairman of the Economic Planning and Development Council. There is no doubt that the government will have to act very cautiously.

Editorial Examines PRC Pressure on Taiwan Ties

OW0206004595 Tokyo MAINICHI SHIMBUN in Japanese 29 May 95 Morning Edition p 5

[Editorial: "Beijing and Taiwan, Be Calm"]

[FBIS Translated Text] Relations between the United States and China are worsening due to U.S. President Bill Clinton's decision to grant a visa to Taiwanese President Li Teng-hui to attend a Cornell University alumni ceremony.

Following the U.S. decision, Beijing cut short Washington visits by an Air Force delegation and CPC Central Committee Member Li Guixian. Moreover, Defense Minister Chi Haotian's June trip to Washington has also been postponed. A Chinese spokesman warned that a "stronger response" might be made depending on U.S. actions.

Further strain in the bilateral relationship should be avoided at a time when China is being deprived of room for diplomatic flexibility, as it enters a politically uncertain "post-Deng Xiaoping" period.

Last September, in the first policy shift toward Taiwan in 15 years, the U.S. Government resumed exchanges of high-level economic and technological officials. However, the government had stressed that President Li Teng-hui would not be admitted into the United States, even for a private visit. The sudden policy change came in response to strong pressure from Congress, as it adopted a resolution in early May supporting Li's proposed attendance at the Cornell reunion. The house vote was unanimous, while only one Senate member dissented.

Taiwan is elated and Beijing is enraged a the turnabout made by the Clinton administration. But emotions can breed miscalculation. Apparently, the policy shift was made in connection with the domestic power struggle over next year's presidential election. While some suggest the move is a symptom of the declining value of the "China card" following the collapse of the Soviet Union, the United States may well have gone easy with the visa, dismissing Li's visit as "just a college reunion."

While some quarters of the U.S. Congress support Taiwan's bid for a return to the United Nations, it is not a majority opinion. Peace and development in the Asia-Pacific region cannot be discussed without China. This is as true now as it was 16 years ago, when it was the overriding reason behind Washington's decision to normalize relations with Beijing.

At a glance, President Li Teng-hui has been successfully carrying out "business-oriented diplomacy" since last year, but there are some questionable points. Last year Li made unofficial visits to the Philippines, Indonesia, and Thailand, and met with top leaders of these countries. But this year he has yet to make such a visit to any Southeast Asian country, and no countries in the region currently have plans for diplomatic normalization with Taiwan. Although he recently traveled to two Middle Eastern countries, he was unable to meet with their top leaders.

Li says Taiwan's "business-oriented diplomacy" is to remind the world of the existence of "the Republic of China on Taiwan." However, the number of countries recognizing Taiwan has not dwindled to 29 because the world has forgotten the island. The rest of the world had to choose Beijing over Taiwan when they were urged to pick one. The situation would not change even if the island regime declared independence.

President Li's "business-oriented diplomacy" indeed enabled him to travel overseas, but his trips did not bring about the international community's recognition of Taiwan. Rather, Li's trips aroused the unnecessary precaution of the Beijing government, and, hereafter, Beijing's strong reactions may narrow fields of activity for Taiwan. The strain in China-Taiwan relations could work against Li's reelection.

After his U.S. visit, Li is reportedly to seek to visit Japan to attend another alumni reunion at Kyoto University and an informal summit session of the Asia-Pacific Economic Cooperation (APEC) forum scheduled for November.

Given its past colonial rule over Taiwan for 50 years, Japan's careless actions are likely to make other countries nervous. The Japanese Government should naturally be more cautious than Washington toward the issue. Fortunately, Taiwan and China have recently agreed to resume private-sector talks. In order for Taiwan to broaden its horizons, it should seek closer communication and understanding with Beijing.

Move To Cut ODA Interest Rates Applauded

OW3105041895 Tokyo NIHON KEIZAI SHIMBUN in Japanese 27 May 95 Morning Edition p 5

[Unattributed article: "Hurrying To Reduce Interest Rates on Yen Loans; The Finance Ministry Unable To Resist Any Longer — Squeezed Between Foreign Aid and Domestic Finances"]

[FBIS Translated Text] The government has finally decided to get off its rear end to reduce interest rates on its yen loans to foreign countries. It has started making the necessary arrangements with relevant government ministries and agencies toward that end. The Finance Ministry has resisted such moves on the grounds that the nation has been facing "financial difficulties." However, it can no longer keep resisting because developing nations, which are in agony over their increased payment burden, have, one after another, requested that Japan help reduce the burden. As it is becoming clear that the major industrialized nations have become "exhausted from extending aid," the government has given due consideration to the fact that "It would be undesirable for Japan, which is a top provider of aid, to hinder the developing countries' growth" (as stated by a senior Ministry of Foreign Affairs [MOFA] official). This seems to have strongly influenced the government in making its decision.

Criticism Arising From Developing Countries, One After Another

"Japan says it is feeling the painful effects of the yen's appreciation, but I think the manufacturing costs of Japanese firms must have surely dropped due to such factors as the drop in prices of imported goods." So argued Malaysian Prime Minister Mohamed Mahathir during a meeting with Prime Minister Tomiichi Murayama in mid-May. Mahathir has constantly said: "We will no longer rely on yen loans." Although he has repeatedly lashed out with such seemingly angry words, he made absolutely no reference to "yen loans" in this meeting with Murayama. A government official who was present took Mahathir's remarks seriously, saying: "It was actually a strong move to indirectly hold us in check. We can sense the sarcasm in his remarks that the increased burden in repaying yen loans is more painful than the pain that Japan feels as a result of the yen's appreciation."

Since last fall, it seems that developing countries in Asia and other parts of the world have no intention of letting up on their calls for Japan to help reduce the burden of repaying their yen loans. When Murayama visited China early this month, Chinese Premier Li Peng pressed him to resolve the issue, arguing: "It is an issue that affects Japan's image." Even the Indonesian Government, which generally takes a favorable stance on Japanese policies, has abruptly sent Presidential Economic Adviser Widjojo Nitisastro as a special envoy to ask Murayama to help ease Indonesia's burden of repaying yen loans.

The cumulative total of yen loans that Japan has extended solely to Asian countries amounts to approximately 13 trillion yen. The largest borrower is Indonesia, whose cumulative debt exceeds 2.4 trillion yen as of the end of March 1994. The Indonesian Government has conveyed its plight, saying: "Our debts increase by $1 billion with a 3-percent rise in the yen's value." The Chinese Government, which is the second-largest borrower, stressed: "The amount of yen loans, which amounted to about $10 billion at the time we concluded the contract, easily exceeds $17 billion under the current exchange rate." As the situation stands, Japan's yen loan programs, which were originally intended to help developing countries, could turn Japan into a "loan shark" if the yen should progressively strengthen.

Initially, the government was reluctant about easing the payment burden, maintaining that "yen loans are extremely long-term loans, and it is difficult for us to simply react to the recent exchange rate fluctuations" (as stated by Finance Minister Masayoshi Takemura). Now that the situation could develop into a political problem, the government has suddenly decided to reconsider its stance. However, at this point, there is a fierce clash in logic between authorities in charge of finances and those handling foreign aid.

"Reducing MOFA's Budget"

Late last April, MOFA proposed within the government to reduce interest rates on yen loans by about 1 percent. A senior Finance Ministry official reacted violently, saying: "We cannot cut interest rates by such a large margin. If you keep insisting, we will offset the backspread amount by cutting back on grant-in-aid and other funds from MOFA's budget."

Interest rates on yen loans are divided into four steps. Among them are: 1 percent for the poorest countries; 2.6 percent for countries like Indonesia and China; and 5 percent for intermediate-developed countries. The rates were revised in May 1991 and have remained unchanged. MOFA has pointed out that there is room for a drastic cut in the interest rates on yen loans on the grounds that the yen's exchange rate has risen and interest rates in general have dropped since then.

In reaction, the Finance Ministry has put up resistance, arguing that the nation has been facing financial difficulties. Treasury investment and loans serve as the source of funds for yen loan programs, including funds from postal savings and pensions. Although the interest rate on treasury investment and loans, which is a prerequisite for obtaining the loans, has been on a downward trend, a 1-percent interest rate on yen loans to the poorest countries or a 2.6-percent interest rate on loans to poor countries would result in a considerable amount of backspread.

The Overseas Cooperation Fund, which handles yen loan programs, has registered deficits every year. It is scheduled to receive 378.9 billion yen from the treasury in FY95. Financial authorities argue that "since yen loan programs are designed so that taxes are used to cover deficits, lowering interest rates would directly lead to an increased burden on the nation."

Diminishing Aid Funds Are Another Factor

Nevertheless, the current environment regarding obtaining funds has changed since the existing interest rates on yen loans were set in May 1991. The official discount rate has dropped by 5 percent since then, to a record low of 1 percent per annum. The reduced cost of obtaining funds has helped Japan manage to uphold its policy toward aiding developing countries. The Finance Ministry is now moving toward a compromise with the Foreign Ministry by considering the possibility of reducing the interest rates on yen loans by about 0.2 percent.

Another factor that is hastening the Finance Ministry into lowering the interest rates on yen loans is a global decline in aid funds. The economic slump has caused major industrialized nations to cut back their budget allocations for financial aid. The OECD's Development Assistance Committee (DAC) has decided to upgrade by 1997 the status of aid-receiving countries which have developed into rich nations so that they are no longer qualified to receive financial aid. In this way, the DAC is desperately trying to distribute effectively the limited funds.

The Foreign Ministry, among other relevant government ministries and agencies, has convinced the Finance Ministry by saying: "Japan, which must play its part in putting brakes on the dwindling of aid programs, must not move in reverse," as reported by an official at the Economic Cooperation Bureau. However, the lowered interest rates will only apply to new installments of yen loans. Thus, it is uncertain whether this will be sufficient "to lessen the plight of developing countries," according to Yohei Kono, deputy prime minister and foreign minister).

NEC To Locally Produce All PC's for U.S.

OW3005125595 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 May 95 Morning Edition p 1

[FBIS Translated Text] NEC Corporation will begin locally producing all personal computers [PCs] to be sold in the U.S. market by the end of this fiscal year. Designing and parts procurement work will also be shifted to the United States. The company has been raising output in the United States to cope with fierce competition in the market in the sales of new products. However, the yen's rapid appreciation, which has increased domestic production costs, has made NEC decide to locally produce all PCs. NEC is the first to locally produce all PCs, a high-tech product, to be sold in the United States.

The company plans to sell 200,000 desktop PCs and 250,000 notebook PCs in the United States in the current fiscal year. It sold 160,000 desktop machines and 150,000 notebooks in FY 1994. Up until FY 1994, NEC had produced all desktop machines and low-end notebook models in the United States, while high-added value products, such as high-end models and portable types, had been manufactured in Japan. However, because of fear that "domestic products will become uncompetitive" in the U.S. market where competition is intensifying, the company has decided to produce all PCs in the United States (according to NEC executive Kenjiro Arata).

With the transfer of production, NEC's manufacturing plant in Yonezawa, Yamagata Prefecture, which produced 100,000 notebook PCs exported to the United States in FY 1994, will begin producing computers for the domestic market.

Economic Adviser Travels to U.S., Europe

OW3005061395 Tokyo KYODO in English 0515 GMT 30 May 95

[FBIS Transcribed Text] Tokyo, May 30 KYODO — Toyoo Gyohten [Gyoten], senior adviser to the finance minister, left Tuesday [30 May] for a 13-day tour of the United States and Europe to discuss foreign currency problems there as the minister's special envoy.

During his trip, Gyohten, a former vice finance minister for international affairs, will meet currency authorities in Washington and New York, including Federal Reserve Board Chairman Alan Greenspan, to discuss measures for the long-term stabilization of exchange markets, a Finance Ministry source said.

Gyohten will also participate in executive meetings of major commercial banks in Seattle and Paris in his capacity as chairman of the Bank of Tokyo, the source said.

Gyohten was appointed as senior adviser to the finance minister last week.

Ecuador Backs Tokyo's Nonpermanent UNSC Bid

OW3105001295 Tokyo KYODO in English 1439 GMT 30 May 95

[FBIS Transcribed Text] Tokyo, May 30 KYODO — Ecuador supports Japan's bid to be elected a nonpermanent member of the UN Security Council for the 1997-1998 term, Ecuador's Foreign Minister Galo Leoro Franco told Foreign Minister Yohei Kono Tuesday [30 May].

It was the first time that Ecuador has officially thrown its support behind Japan's bid for the nonpermanent membership, a Foreign Ministry official said.

Ecuador has already said it supports Japan's efforts to obtain a permanent seat on the council.

Also in his 30-minute meeting with Kono, Leoro called for Japan's support for its efforts to peacefully solve a long-standing territorial dispute with Peru, the official said.

Kono was quoted as telling Leoro that Japan hopes the territorial row will be solved as early as possible and through peaceful means.

On the bilateral front, Kono vowed Japan's continued assistance for Ecuador's efforts to improve its infrastructure and improve public welfare, the official said.

Expert Urges 'Global Governance' Role

OW0106111495 Tokyo YOMIURI SHIMBUN in Japanese 31 May 95 Morning Edition p 2

[Article by Jiro Ushio, Japan Association of Corporate Executives secretary general: "I Look Squarely at the Crisis Facing Japan"]

[FBIS Translated Text] The victorious United States sowed the seeds for Japan to reconstruct its economy from the ashes of the Pacific war. The victorious United States also laid a rail for Japan to ride toward democracy.

The Western "victorious nations" took the same action when the Cold War ended. The United States was eager to reconstruct the former Soviet Union, a vanquished rival during the Cold War, and West Germany chose to merge itself with East Germany to share the latter's agony. Both the United States and Germany have made clear their positions to assume responsibility for the world's prosperity by leading the North American Free Trade Agreement [NAFTA] and the EU, respectively.

Japan Becomes Equal Society, But....

If so, what has Japan, which now stands on an equal footing with "victorious nations" in the Cold War, tried to share and do? While repeatedly hesitating to share and do anything with other victorious nations, Japan has yet to wake from the dream of pursuing its own prosperity.

Fifty 50 years ago in Japan, leaders of the old generation were expelled from the government and disappeared from economic circles. Leaders of a new generation, who made their debuts together with a new constitution and civil law, have built Japan into a rare equal society. The leaders of the new generation have worked hard to build life-long employment, the merit-based wage, intra-company union, and equal distribution organization, which have all shored up Japanese-style business management. This has led management and labor to feel a sense of unity and Japan's economy to grow over the long term.

However, in the course of these developments, Japan has forgotten to think of how it should participate in "global governance." In other words, Japan, as a nation that lives in an international society, has forgotten the most important thing of how it should assume responsibility for the world's peace and prosperity. Regrettably, Japan has not admitted to having forgotten this.

Japan must deal properly with the great changes taking place in the world and break with the past principle of pursuing its own prosperity following the end of the Cold War. Japan cannot bypass this. Specifically, for Japan to cooperate in building the Asian- Pacific region into a prosperous region, it must play a role in the central market, which uses what the region produces as a consumer and assists the region in the fields of business management, production, and technology.

During the Cold War era, the United States assumed the central market role. Japan should be well aware of the United States, which sacrificed its domestic policy in favor of its global strategic foreign policy. It has even been said that the "U.S. twin deficits" of trade and finance are an outgrowth of its global strategic foreign policy. The U.S. twin deficits will be hailed as the aftermath of U.S. efforts to win the Cold War rather than being despised and criticized.

Japan now has 1,000 trillion yen in personal financial assets and $700 billion in net external assets. Japan's GDP amounts to more than $5 trillion.

Tokyo Urged To Cut its Trade Surplus in Half

Japan, which has grown to become one of the world's major economic powers, must play a key role in turning the Asian-Pacific region into a prosperous region by increasing the weight of its foreign policy, as the United States did during the Cold War era. Japan should cut its trade surplus in half over the next five years. To that end, Japan should double its current imports of $240 billion and triple its current imports from the Asian region over the next five years. Japan should also increase its current exports of $360 billion by one and a half times over the same period. I believe that Japan will be able to formulate specific policies with numerical targets that are based on a moderately balanced expansion. Needless to say, Japan is able to set numerical targets that aim for a balance between exports and imports by keeping its present exports at their present levels and increasing its imports by one-three times. Now is the time for Japan to register a trade deficit with its Asian trading partners. Nevertheless, Japan's trade surplus with its Asian trading partners is growing faster than its trade surplus with the United States. I am worried about this situation.

For Japan to achieve its target of reducing its trade surplus, individual business managers need to have the yardstick of value that "he exports only when he earns more from exports than domestic sales."

At the beginning of this year, the yen-dollar exchange rate stood at 102 yen to the dollar. The yen has appreciated about five percent every year. This sharp appreciation of the yen is not desirable for the Japanese economy. In that case, efforts need to be made to curb the purchasing power parity at about 183 yen to the dollar, according to the OECD. Japan needs to make efforts to redress price differentials between it and other industrial nations by bringing down domestic prices.

There may be a fear that bringing down prices and increasing imports could stagnate the domestic economy. The fear may become a reality without new businesses. Therefore, Japan is in need of a more highly productive manufacturing industry that turns out products that are attractive to consumers, a new service and information industry.

Expectations for Emergence of New Ventures

It is true that bureaucratic regulations stand in the way of new businesses. What is more, the conservative Constitution that prevails in Japan makes it hard for new businesses to emerge. Even financial institutions do not appear to be eager to foster new businesses.

The national consciousness, which is accustomed to the bureaucratic regulations during the post-war years, cannot change overnight. I do not mean that it is good even if the national consciousness is left untouched as it is.

The late Konosuke Matsushita, Matsushita Electric Industrial Company founder, the late Soichiro Honda, Honda Motor Company founder, and Masaru Ibuka, Sony Corporation founder, are among the first of the venture generation. Among the second venture generation are Kazuo Inamori, Kyocera Corporation founder, and Makoto Iida, Secom Company founder. Masayoshi Mago, founder of a soft bank, and others belong to the third venture generation.

They are the kind of Japanese who study and work hard to improve things and value human relations. The third and fourth venture generations, which have yet to appear, will win new success without fail.

They must think optimistically and be forward-looking, and act passively and carefully while looking squarely at reality. The argument that they must think passively and backwardly, and act optimistically and carelessly, misses the truth.

They must be convinced that there is a "way out" like the eye of a needle. I expect new ventures to emerge in our nation. I also hope that all business managers will regain the spirit of venture. If we are simply pessimistic, this produces nothing.

Tokyo Displeased With Alleged Yeltsin Remark

OW0206050695 Tokyo KYODO in English 0442 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — Japan on Friday [2 June] expressed displeasure over Russian President Boris Yeltsin's reported unwillingness to accept Japanese aid for victims of the Sakhalin earthquake because Japan might use it as a lever in a bilateral territorial row.

"We are offering to help the families of the collapsed house next door, so to speak. Such a suspicion is a bother," Chief Cabinet Secretary Kozo Igarashi said at a news conference.

The comment came in response to a Russian Foreign Ministry statement supporting Yeltsin's remark that Japan might use its relief aid to pressure Russia to return four islands claimed by Japan.

Igarashi said Tokyo is seeking through diplomatic channels to confirm Yeltsin's reported remark, adding it would be "regrettable" if the Russian president actually made such a comment.

More Relief Goods for Quake Victims

OW0206021395 Tokyo KYODO in English 0156 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — Japan will send a fourth batch of emergency relief goods to the quake-hit Russian Far East island of Sakhalin on Friday [2 June] afternoon, the Foreign Ministry said.

The 25 tons of goods, including tents, sleeping mats, blankets, water purifiers and shortwave radios, will be transported from Chitose airport in Hokkaido to Yuzhno-Sakhalinsk.

Japan is expected to offer a total of 125 million yen worth of relief goods to Sakhalin.

Igarashi on Quake Aid, Sanctions, PRC Missiles

OW0206095295

[FBIS Editorial Report] Tokyo Asahi Newstar Television Network in Japanese at 0915 GMT on 1 June, during its "Flash Report: News Conference" program, broadcasts a recorded, 8-minute news conference by Chief Cabinet Secretary Kozo Igarashi held at the Prime Minister's Official Residence at 0400 GMT on 1 June.

At the news conference, Igarashi briefs on telephone talks between Yohei Kono, deputy prime minister and foreign minister, and Oleg Soskovets, Russian first deputy prime minister, which took place on 1 June and lasted for about 25 minutes. He quotes Soskovets as appreciating warm messages from Kono and Prime Minister Tomiichi Murayama concerning damage caused by the recent devastating earthquake in northern Sakhalin, as well as Japan's humanitarian aid. Igarashi quotes Kono as explaining Japan's relief goods transportation to the quake-hit region, offering medical treatment for victims, and saying: "In view of the recent series of great earthquakes in the Far East, we expect as many Japanese and Russian seismologists as possible will attend a meeting of the Japan-Russia Committee on Science and Technology Cooperation to be held in July under Japan's sponsorship and discuss what cooperation is possible between the governments and relevant organizations of the two countries concerning earthquakes." Igarashi notes Soskovets agreed with Kono's proposal.

After Igarashi's 3-minute briefing, a question and answer session begins. In answering a question about U.S. moves to impose sanctions on Japan in connection with an aviation issue, Igarashi says: "I have not heard that Washington decided on a plan to invoke sanctions on Japan. At any rate, the Japanese Government hopes to settle the issue in a cool manner through dialogue." Another reporter seeks the chief cabinet secretary's opinion on the reported modernization by China of intercontinental ballistic missiles. Igarashi answers: "As I mentioned yesterday, the government is watching the moves with great interest. Because this issue is connected with Japan's various kinds of economic assistance, the government intends to carefully watch and examine the moves." In the news conference, Igarashi is also asked about Japan's position on whaling.

PRC Ties, Auto Dispute, Market Reform Viewed

OW3105143095 Tokyo YOMIURI SHIMBUN Morning Edition in Japanese 29 May 95 p 6

[Remarks by Hitotsubashi University Economics Professor Iwao Nakatani at a symposium organized by the Tokyo Colloquium and YOMIURI SHIMBUN in Koriyama, Fukushima Prefecture on 26 May: "Japan Should Get Rid of Its Old System"]

[FBIS Translated Text] In discussing issues involving ties between Japan, the United States, and the PRC, we need to pay attention to the fact that recently, three drastic changes have occurred.

First, the PRC's full-fledged entry into the world market. Its reform and open-door policy has become stable and it has maintained an annual economic growth rate of 12-13 percent. It can be said that the PRC has now become a "growth center" of the world. However, this also means that in the future, it may possibly become a major cause of instability.

Second, changes in Japan's economy. Since Japan has become a country of extremely high costs, it has been in a chronic recession. I think the Japanese economy's Kondratieff Wave consists of a 60-year cycle, 40 years of business upturn and 20 years of business downturn. Supposing that the business upturn period after the end of World War II started at the beginning of the Korean war in 1950, it has now only been five years since the downturn period began. Consequently, we can figure out that the current recession will last for another 15 years.

Third, changes in Japan-U.S. ties, such as the rupture in the recent bilateral auto talks. During the Cold War era, Japan and the United States gave top priority to maintaining the bilateral security system. Even if economic friction developed, the two nations would reach a compromise at the last moment and settle the issue by themselves. However, the two nations now have to settle an issue through an international body, the WTO, for the first time since the end of the World War II.

What should we do to deal with these changes?

For the first change, I think the reasons for the negative impacts that the PRC may have on the world economy in the future should be removed through the cooperative efforts of Japan, the United States, and the PRC. To promote the market economy in the PRC, the improvement of infrastructure in a broad sense, including the legal, financial, and tax systems, is indispensable.

As for Japan, it needs to sweep away the "grime" accumulated from the growth era over the past 40 years and try to straighten out its "fatigued system." Japan's economic system, which worked effectively when it was developing, is not appropriate for a Japan that now has the highest income in the world. Japan needs to do away with its numerous regulations, the delay in market liberalization, ambivalent ties between the bureaucracy and private sectors, and various systems that exist in developing nations.

Since these systems are a cause of chronic recession, we should make every effort to promote the radical reform of these systems and also show the world our will to do so. Japan made the right decision on filing a complaint with the WTO following the rupture of the Japan-U.S. auto talks. However, if Japan wants the United States to follow the free trade principles, it should shape itself up by reforming its questionable regulations and systems that negate competition.

Takemura Discusses EU's Liquor Tax Rate

OW2605121495 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 May 95 Morning Edition p 5

[FBIS Translated Text] Speaking at a 24 May news conference on the disparity between tax rates on whiskeys and Shochu [Japanese distilled liquor], over which the European Union [EU] is now preparing to file a claim with the World Trade Organization [WTO], Finance Minister Masayoshi Takemura said, "I would like the

UK to understand the Japanese domestic situation in which Shochu takes root in people's daily life." In addition, he showed his intention to change tax burdens strictly based on the domestic sales situation, saying, "We will not revise the Liquor Tax Rate Act in line with the EU's claim."

Although both whiskeys and Shochu are distilled spirits, the amount of tax imposed on one liter of whisky is 6.3 times as much as that of Shochu (its alcoholic content is 25 percent). Regarding this differential as an "impediment to its whiskey exports to Japan," the EU has shown its intention to bring the case to the WTO. Concerning the EU's approach, Takemura stressed a gap in tax rates is not the reason for a difference in sales, saying, "Shochu has taken root in Japanese society." He then said FY93 tax reform had lessened the gap.

Murayama Supports Laos' Economic Reforms

OW0106144995 Tokyo KYODO in English 1436 GMT 1 Jun 95

[FBIS Transcribed Text] Tokyo, June 1 KYODO — Prime Minister Tomiichi Murayama told Laotian Prime Minister Khamtay Siphandone on Thursday [1 June] that Japan will continue to support Laos' economic reform efforts and hinted at plans to resume yen loans to the country, a Foreign Ministry official said.

During a 45-minute meeting at his official residence, Murayama told Khamtay that Japan will continue to extend economic aid to Laos based on its guidelines on Official Development Assistance (ODA), the official said.

Murayama indicated that Japan plans to resume yen loans for a project to construct a hydroelectric power plant project in Nam Leuk, located northeast of Vientiane.

Japan will give favorable consideration to extending loans for the project by taking into account the progress of surveys on it by the Asian Development Bank (ADB), Murayama was quoted as saying.

The construction of the 60 megawatt hydroelectric power plant is estimated to cost 10 billion yen. Laos has been requesting the ADB and Japan to provide 4 billion yen each for the project, with the remaining 2 billion yen to be paid by Laos itself.

Japan last extended yen loans to Laos in 1976 but has since refrained from offering new loans after Laos turned into a communist regime in 1975 and partly due to its inability to pay back.

Khamtay, while calling for the yen loans, asked for Japanese aid in constructing a bridge across the Mekong River in the southern Laotian city of Pakse.

He also called for Japanese contributions to help Laos develop human resources, the official said.

Murayama told Khamtay that Japan will consider giving financial aid to construct the bridge following the conclusion of an ongoing survey, and that it will also continue to assist Laos in developing human resources in such fields as agriculture and medicine.

He also said Japan plans to offer Laos 500 million yen worth of nonproject grant-in-aid by the end of the year to help its international balance of payments.

Murayama and Khamtay, on a five-day visit to Japan from Wednesday through Sunday, agreed on the need to boost exchanges of high-level leaders from the two countries, the official said.

Khamtay officially invited Murayama and his wife to visit Laos.

Khamtay is scheduled to visit Kyoto in western Japan before leaving Japan on Sunday.

Kono Backs Laos Democratization Efforts

OW0106113595 Tokyo KYODO in English 1055 GMT 1 Jun 95

[FBIS Transcribed Text] Tokyo, June 1 KYODO — Foreign Minister Yohei Kono on Thursday [1 June] pledged Tokyo's continued support for democratization efforts by Laos, a Foreign Ministry official said.

Kono made the pledge in a meeting with Laotian Foreign Minister Somsavat Lengsavat at the Foreign Ministry.

Kono told Somsavat that Japan gives high marks to Laos' economic reform efforts. Kono also said Tokyo plans to extend 500 million in nonproject grants by the end of the year for public welfare and to promote economic development and stability.

While expressing appreciation for the aid, Somsavat called on Japan to also extend it to Laos' neighboring countries, including Myanmar [Burma].

Kono told Somsavat that Tokyo recently decided to extend grant-in-aid to Myanmar, but the move does not mean that Japan is completely satisfied with conditions there, the official said.

Kono was quoted as saying that Japan hopes Myanmar will take a tangible step toward democratization, adding that it would enable Tokyo to expand aid.

Prior to the meeting, Kono and Somsavat exchanged documents on a Japanese grant to Laos worth 3.8 billion yen to finance four projects and a rural grant worth 28 million yen.

The grants are aimed at renovating Vientiane International Airport, improving satellite communication systems, reconstructing bridges on a national road and improving medical equipment for immunizations.

Somsavat told Kono that Laos is trying to better its conditions to become a full member of the Association of Southeast Asian Nations (ASEAN), the official said. Laos holds an observer status in the body.

He said the lack of English-speaking government officials as well as a financial basis from which to contribute to ASEAN are preventing Laos from joining as a full member.

He asked Japan to provide English-teaching equipment, and Kono promised to consider the request.

On other topics, Somsavat expressed support for Japan's bid for a permanent seat on the UN Security Council and its election as a nonpermanent member for the 1997-1998 term, the official said.

He also said Laos backs Japanese candidates wishing to head the Mekong Committee, the official said. Among five candidates for the post of secretary general, to be elected in July, two are Japanese.

Nation Remains Top Foreign Aid Donor

*OW3005020495 Tokyo KYODO in English
0045 GMT 30 May 95*

[FBIS Transcribed Text] Tokyo, May 30 KYODO — Japan disbursed a total of 13.34 billion dollars in Official Development Assistance (ODA) in fiscal 1994, maintaining its position as the world's largest ODA donor, an annual government report released Tuesday [30 May] said.

The report on the implementation of Japan's ODA in fiscal 1994 ended March 31, which was endorsed by the cabinet earlier in the day, said the amount of Japanese ODA increased 16.3 percent from the previous year.

Of the total aid, 9.5 billion dollars were extended bilaterally, up 17.1 percent from fiscal 1993, according to the report compiled by the Foreign Ministry.

Japan's grant-in-aid increased 19 percent from the previous year to 2.4 billion dollars, while 2.89 billion dollars were extended as technical cooperation, marking an increase of 11.4 percent.

The ratio of the ODA to the gross national product (GNP) was 0.28 percent, up from 0.27 percent in the previous year, the report said.

While the world's aid donor countries are facing the "aid fatigue" phenomenon, Japan remained the top aid donor to a total of 32 countries, including China, Mongolia, Indonesia, Saudi Arabia, Syria and Kenya.

The report said Japan placed importance on beefing up the survey and review systems regarding ODA to ensure transparency in aid and on extending aid to combat global problems such as the environment, AIDS and population growth.

Bolivia Requests Aid in Tourism, Drug War

*OW3105055695 Tokyo KYODO in English
0407 GMT 31 May 95*

[FBIS Transcribed Text] Tokyo, May 31 KYODO — Bolivian Foreign Minister Antonio Aranibar Quiroga on Wednesday [31 May] asked for Japanese economic cooperation to help the country promote tourism and tackle drug problems, a Foreign Ministry official said.

Aranibar, visiting Japan with the foreign ministers of the Rio Group troika countries, made the call during a 25-minute meeting with Foreign Minister Yohei Kono at the Foreign Ministry.

The Bolivian foreign minister asked Japan to send missions to Bolivia to study possible cooperation in boosting the country's tourism industry and also extend aid to help develop substitute crops for coca leaves used to make cocaine, the official said.

Kono replied that Japan will continue to extend aid to Bolivia to help it stabilize its economy and improve the people's standard of living.

But on Bolivia's request for aid in the tourism sector, Kono suggested that Bolivia contact the Japanese tourism industry, saying the private sector's role is important in promoting tourism rather than the government's role.

On aid to tackle drug-related problems, Kono said Japan wants to study possible cooperation if Bolivia makes specific proposals for substitute crops for coca leaves, the official said.

Also during the talks, Aranibar called on Japan to join as an observer at a planned summit meeting of the leaders of North American and Latin American countries next year, the official said.

Kono replied that Japan wants to study the offer at the working-level.

Tokyo Grants Aid to Developing Countries

Laos: 3.83 Billion Yen

OW0106080395 Tokyo KYODO in English 0741 GMT 1 Jun 95

[FBIS Transcribed Text] Tokyo, June 1 KYODO — Japan agreed Thursday [1 June] to give Laos a grant-in-aid totaling 3.8 billion yen to finance four projects and a cultural grant-in-aid of 28 million yen.

Japanese Foreign Minister Yohei Kono and Laotian Foreign Minister Somsavat Lengsavat exchanged documents on the Japanese aid at the Foreign Ministry.

Of the aid, 1.6 billion yen will be extended for a project to renovate Vientiane international airport and 897 million yen for a project to improve a satellite communications system.

The aid also include 1.14 billion yen for a project to reconstruct bridges on the national road route No. 13 and 94 million yen to improve equipment for immunization.

The 28 million yen cultural grant-in-aid is aimed at helping the country purchase instruments and sound effect equipment for a central art organization.

Egypt: 6.69 Billion Yen

OW1605143695 Tokyo KYODO in English 0921 GMT 16 May 95

[FBIS Transcribed Text] Tokyo, May 16 KYODO — Japan will extend Egypt a grant-in-aid totaling 6.69 billion yen to finance three projects, the Foreign Ministry said Tuesday [16 May].

Egyptian Minister of State for International Cooperation Yusuf Butrus-Ghali and Japanese Ambassador to Egypt Kunio Katakura exchanged notes on the Japanese aid in Cairo earlier in the day, the ministry said.

Of the aid, 1.44 billion yen will be extended for a project to repair the 1,640-meter-long Ahmed Hamdi Tunnel, which links mainland Egypt and the Sinai Peninsula.

Another 2.86 billion yen will be extended for a project to improve a water treatment plant to boost water supply in Cairo, and a further 2.38 billion yen to improve a canal on the River Nile, it said.

Zaire: $150,000 To Fight Ebola

OW1905162895 Tokyo KYODO in English 1508 GMT 19 May 95

[FBIS Transcribed Text] Tokyo, May 19 KYODO — Japan will provide 150,000 dollars in grant aid to Zaire to help the country combat an attack of the lethal Ebola virus which has killed at least 77 people, government officials said Friday [19 May].

The emergency grant-in-aid will be provided to Zaire through the World Health Organization, the officials said.

The United Nations body, which is working to help victims of the virus, is seeking assistance from many countries.

Symptoms of the disease include headaches, fever, exhaustion, diarrhea and eventually massive bleeding.

The virus, for which there is no known vaccine or cure, has a fatality rate of 50 to 90 percent.

Ethiopia: 19 Million Yen in Relief Goods

OW3005091695 Tokyo KYODO in English 0734 GMT 30 May 95

[FBIS Transcribed Text] Tokyo, May 30 KYODO — Japan will give Ethiopia some 19.2 million yen worth of emergency relief goods to help victims of floods in the southeastern part of the country, the Foreign Ministry said Tuesday [30 May].

The aid includes medical goods and blankets, the ministry said.

Torrential rain from the last week of April to early May caused floods in southeastern Ethiopia near the Somalian border, killing 27, damaging houses and affecting 94,000 people.

Burundi: 1.3 Billion Yen

OW1605040895 Tokyo KYODO in English 0355 GMT 16 May 95

[FBIS Transcribed Text] Tokyo, May 16 KYODO — Foreign Minister Yohei Kono on Tuesday [16 May] pledged 1.3 billion yen in humanitarian aid to Burundi to help refugees fleeing ethnic violence, a Foreign Ministry official said.

Kono told Burundi's Minister for Foreign Relations and Cooperation Jean Marie Ngendahayo in a 30-minute meeting that Japan plans to provide the aid through the World Food Program, the official said.

Of the aid, 500 million yen is aimed at helping refugees within Burundi, while 400 million yen each will be given to help those who have fled to Tanzania and Zaire, Kono was quoted as telling Ngendahayo.

According to the ministry's figures, more than 251,500 Burundi people have fled the country as a result of ethnic strife between the Hutu and the Tutsi tribes, also the cause of conflict in neighboring Rwanda.

Kono also told Ngendahayo that Japan is considering adding some 200,000 dollars to Japan's Human Resources Development Trust Fund to support the UN

Development Program's efforts to help Burundi achieve reconciliation between its peoples, the official said.

Japan will also give 50 million yen to help cover Burundi's debts to Japan, Kono was quoted as telling Ngendahayo.

Ngendahayo, who arrived in Japan on Monday and will stay through Sunday, called for Japanese cooperation in international efforts to stabilize and maintain the unification of Burundi, the official said.

He told Kono that the Burundi Government is making efforts to suppress the actions of Hutu and Tutsi hardliners and he called for Japanese support for moderate elements in Burundi.

Kono replied that Japan has a strong interest in preventing conflicts in Burundi and that it wants to offer its utmost support to international efforts to achieve that aim.

Jordan: $500 Million

JN2605052995 Amman Radio Jordan in English
0430 GMT 26 May 95

[FBIS Transcribed Excerpt] His Royal Highness Crown Prince Hasan [of Jordan] has concluded a visit to Japan with an announcement by the Japanese Government of half a billion dollars of aid to Jordan. [passage omitted]

'Freer' Trade in Asia-Pacific Region Discussed

OW0206090595 Tokyo KYODO in English
0854 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — Japan will continue striving to achieve freer trade in the Asia-Pacific region in close consultation with other countries, a government spokesman said Friday [2 June].

"We will continue trying as far as possible to achieve a free trade zone in close touch with other Asian countries, the United States and other nations concerned, and by listening to their opinions," Chief Cabinet Secretary Kozo Igarashi told a news conference.

He made the comment in response to Singaporean Prime Minister Goh Chok Tong's call Thursday for more serious efforts by Japan to help come up with plans on how to liberalize trade among the member states of the Asia-Pacific Economic Cooperation (APEC) forum.

Japan, host of this year's APEC summit in Osaka in November, is aware of such calls from other countries, Igarashi acknowledged.

During their summit in Bogor last year, APEC leaders agreed that developed member countries should implement liberalization in trade and investment by the year 2010, and developing member countries should do so by 2020.

APEC comprises Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, South Korea, Taiwan, Thailand and the U.S.

MITI Reviewing Asia Trade, Investment Policies

OW2905101195 Tokyo KYODO in English
0958 GMT 29 May 95

[FBIS Transcribed Text] Tokyo, May 29 KYODO — The trade ministry will review Japan's Asia trade and investment policies in light of such changes as the shift of manufacturing overseas to flee the high yen, officials said Monday [29 May].

Making the yen a key currency, which would make Japan's trade less vulnerable to currency swings, and revising trade insurance for Japanese companies abroad are two ideas to be discussed by a new panel formed under the Ministry of International Trade and Industry (MITI), the officials said.

The 20-member panel, to be launched Tuesday, will aim to draft a report in time for November's Osaka summit of the Asia-Pacific Economic Cooperation forum and to have the results reflected in MITI policies for the fiscal year starting next April, the officials said.

It will be a private advisory panel to the chief of MITI's International Trade Administration Bureau, comprising scholars, industrialists and financiers and headed by Tokyo Institute of Technology Prof. Toshio Watanabe, they said.

The panel is expected to consider making trade insurance applicable to Japanese firms already investing overseas if they shift to another country. It will also consider expanding the areas covered by current law to promote imports and foreign direct investment in Japan.

It is also likely to review the operations of the Japan External Trade Organization (Jetro) and the Institute of Developing Economies, which are set to merge.

Panel members are expected to examine ways to reform and stabilize the Asian trade structure, considering such ideas as the yen as a key currency and Japan's role in the circulation of funds in Asia, the officials said.

Development of Asian Energy Sources Urged

OW0106090895 Tokyo KYODO in English
0842 GMT 1 Jun 95

[FBIS Transcribed Text] Tokyo, June 1 KYODO — Asian nations must develop appropriate energy sources, boost stockpiles, conserve resources and curb pollution to prevent energy bottlenecks from hindering the region's surging growth, a government panel said Thursday [1 June].

"In any area of the Asian region, if energy bottlenecks emerge that hurt economic growth, interdependent economic relations will cause them to put a brake on the entire regional economy," the panel of the Advisory Committee for Energy said in a report.

Assuring energy security through cooperation, including good relations with Middle East suppliers, is "the most important topic," said the international energy panel of the committee, an advisory body to the head of Natural Resources and Energy Agency of the Ministry of International Trade and Industry (MITI).

The report represents the panel's "Asia Energy Vision" for harmonizing the region's growing trade and economic power with the pressures they put on energy use and supply, a MITI official said.

In addition to its own efforts, Japan should provide money, experience and technological know-how to aid the efforts of its neighbors, the 87-page report says.

In line with economic growth, Asia's energy consumption is growing some 4 percent a year, doubling the 1992 level by 2010, it says.

Also by that year, China — which has already switched from net oil exporter to importer — will overtake Japan as an oil consumer, the six Association of Southeast Asian Nations (ASEAN) members will match Japan, and the newly industrializing economies of South Korea, Taiwan, Hong Kong and Singapore will together consume three-fourths as much oil as Japan, it forecasts.

At the same time, Asia is becoming more vulnerable to supply disruptions, the report says, predicting that in the 30 years through 2010 [as received] dependence on crude oil from outside the region will have climbed to 70 percent from 50 percent.

Like crude oil use, demand for secondary energy is soaring, with Asian electric power demand expected to rise 10-fold over the same 30 years to 4.5 trillion kilowatt-hours, it says.

Asia is also surging on the pollution front, the report notes, citing 4 percent annual growth in carbon dioxide emissions, double the world average, that will lead the region to account for one- fourth of global carbon dioxide emissions by 2010.

The report defines Asia as Brunei, China, Hong Kong, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand, although it also discusses Vietnam and India separately.

To cope with the soaring consumption and supply vulnerability, the report recommends each country seek the "best mix" of energy sources. It calls, for example, for better transportation infrastructure to support increased coal use by China and ASEAN, for liquefied natural gas facilities in South Korea and a gas pipeline for ASEAN.

Safety and preventing proliferation are key themes for expected increases in nuclear energy use in China, South Korea, Taiwan and some ASEAN states, it says.

It expresses hope in stockpiling efforts, in case of temporary shortages, especially for areas lacking energy resources, such as Thailand, the Philippines, South Korea and Taiwan.

In countries with heavy energy use in the transportation sector, such as Hong Kong, Thailand, the Philippines, Singapore and Brunei, the report calls for increased public transportation systems and better auto fuel efficiency.

Private companies should supply much of the investment for infrastructure development, the report says, with governments providing funds and technology and developing needed standards and regulations.

Japan must ease requirements for its funding of overseas energy projects, for example financing conditions of the Export-Import Bank of Japan, the report says.

It also urges aggressive use of official development assistance, in response to overseas requests, and such technology cooperation as study programs.

Expert Comments on U.S. Military Robotics

OW0206061895 Tokyo DRC in Japanese May 95 pp 23-24

[Article by Tsuyoshi Hoshino, secretary general, DRC; Maj. Gen., GSDF (Ret.)]

[FBIS Translated Text] Japanese industries make use of a number of different kinds of robots and Japan is no doubt stands in the forefront of the world in this regard. Nevertheless, to date defense applications have been quite limited. They are used primarily as remote-controlled land mine disposal units, unmanned machines for reconnaissance and surveillance, and so on. Even when it comes to research and development, it can hardly be claimed that this sector has really taken often yet.

Even though things are like this, in July 1994 Mr. Schmidt, Ms. Young and other members of a U.S. Army, MICOM delegation visited Japan to survey our robot technology.

At that time, they paid a call on DRC. They provided us with a simple briefing on the current status of technological development by MICOM, made proposals for Japan-U.S. technological cooperation, and extended an invitation for us to visit their headquarters in Huntsville, Alabama.

Those were the circumstances under which our delegation went to the MICOM headquarters. We could not help but feel on pins and needles as to how we should respond to such proposals here on the home ground of our hosts.

But two things were very clear. The determination of the U.S. military to exploit the possibilities in this area and its high hopes for Japanese cooperation were made quite obvious in many ways. Utilizing Missile Technology In the post-Cold War era one new threat of considerable importance that is causing consternation is that advanced military technology will become available to more nations.

At the same time the U.S. military is undergoing a number of important changes. These include: 1) a major cutback in the size of U.S. forces, 2) a perceived increased need to limit casualties to the greatest possible extent in order to ensure victory, 3) a shift from a forward development strategy to a emergency deployment strategy, 4) cutbacks in appropriations for force modernization, 5) shrinking of the national defense industrial base, and 6) an increased need to foster military/civilian dual-use technologies (DUT) that will provide the United States with economic benefits. In this regard, U.S. defense planners clearly believe that to respond to these challenges they need to employ robot technology to develop new weapons. This holds equally true when it comes to both conventional missiles and the new weapons called for by the TMD (Theater Missile Defense) strategy.

Moreover, it is perfectly natural that MICOM is also greatly interested in the field of robotics as being essential to carry out its mission. It boasts the world's most advanced technological level for numerous basic technologies essential to missiles, such as those used in their sensors and information processing systems, or transmission, instrument control and navigation systems. And these technologies are almost identical with those basic technologies required to develop robots.

Incremental Development Paying Attention to Economizing

During our visit we were able to be briefed on the spot about the development of various kinds of UGV (Unmanned Ground Vehicles), designed to be used for reconnaissance and surveillance, the detection and disposal of land mines, and other such tasks. The work on these machines came in response to requests from Army infantry and engineering schools and Marine combat development commands.

We noted that overall their development is being carried out in a fundamentally different way from traditional weapons systems development of the past. For example, the operational demand criteria state that the vehicles must be of simple design, capable of easily engaging and disengaging, comparatively inexpensive and of value for use at the battalion level. The low cost factor is being especially emphasized. The chassis being used are all from existing civilian and military designs (Yamaha 4-wheel-drive civilian vehicles, Canadian amphibian land/water dual-use vehicles, the U.S. Army high performance HMMWV vehicle, etc.) They are incorporating civilian-use sensors and electronic parts (to include some of Japanese manufacture) and are being specially strengthened for increased durability.

Furthermore, these vehicles are essentially intended to be operated by remote control through the use of optical fiber and wireless mechanisms. At this stage the level of sophistication aimed for is not that advanced; only some of the features are being actively developed. That is to say these vehicles will not be totally self-controlled systems, but rather semi-autonomous systems.

In addition, it should be noted that in order to facilitate the easy attainment of the technological objectives for each of the desired items, the various features are being developed incrementally. This style of development evinces a major change in the underlying technological strategy. In other words, in cases where the technological base is already at a high level, without an even higher level being sought, the applicable technologies are quickly utilized to develop the required weapons systems (spin on). Then the algorithms and other fruits of this development process are immediately to be made available to the civilian sector (spin off), so as to facilitate the development of private sector robots and other advanced systems.

In this manner, the capabilities of both the military and civilian sectors are to be enhanced. It is also to be expected that the level of technology in question, such as with semi-autonomous control systems, is expected in the future to be further refined.

Strong Leadership From the Center

There are significant fears that the introduction of industrial robots will threaten the jobs of factory workers and lead to an increase in unemployment. Depending on circumstances, this may cause them to be less than welcome among the people who are to operate them.

Such fears are likely to be especially strong within the military.

On the other hand, no matter in what age or what army was involved when it comes to actual combat a perceived shortage of troops is a problem that commanders have constantly had to face. It should be no surprise then that considering the bold scale of the draw down that the U.S. military is currently undergoing, even if the overall logic and general nature of the program is well understood, its actual implementation is certain to involve considerable differences of opinion about how it should be effected in actual practice.

What is needed to cope with this situation is involvement by the armed forces as a whole. The MICOM robotics effort is a joint project of the Army and the Marine Corps. At the same time it is being directly overseen by the Department of Defense. I understand that this reflects the fact that there has also been strong involvement by Congress behind the scenes. I believe that Japan should take careful note of how this project is being coordinated.

Expectations Towards Japan, Thoughts on Possible Responses

Our visit to the United States in July 1994 and then this recent research survey mission left no doubt in our minds that U.S. officials involved in this area—the authorities at MICOM of course, but also their superiors and numerous other people concerned—have strong expectations in regards to technological cooperation on the part of Japan.

On the other hand, Japan's defense preparedness is also facing the same constraints that the U.S. military is experiencing. It seems appropriate that we should we should lend an ear to the earnest requests from the U.S. military, our sole treaty ally in the defense realm, and engage in a positive dialogue on this issue. We should be ready to join with the U.S. military in seeking ways to put superior Japanese civilian technologies to use in the cause of mutual defense.

Kobe Steel Confirms U.S. Sponge-Iron Plant Plan

OW0206034795 Tokyo KYODO in English
0244 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — Kobe Steel Ltd. plans to set up a company jointly with Mitsui and Co. this month to produce sponge iron for use in making steel at electric-furnace plants in the United States, a Kobe steel spokesman said Friday [2 June].

The official, confirming a report Friday in the business daily NIHON KEIZAI SHIMBUN, said the new joint venture, tentatively named KM Iron, will be equally owned by the two Japanese companies.

It will start at the end of 1997 to make the key material for electric-furnace steel production, which is expanding in the U.S. and Asia, the spokesman said.

The Kobe-based steelmaker obtained state-of-art technology for producing the sponge iron — made from a mixture of powdered iron ore and coal — from a U.S. company it purchased in 1983, he said.

Under the plan, KM Iron, with an annual capacity of 900,000 tons, aims at sales of 13 billion yen in 2000, he said.

Kobe Steel and Mitsui are expected to invest 15 billion yen in the Delaware-headquartered company to construct a factory in midwestern America, according to the steelmaker.

Taiwan Eases Certification of Video Software

OW0106110495 Tokyo KYODO in English
1048 GMT 1 Jun 95

[FBIS Transcribed Text] Tokyo, June 1 KYODO — Taiwan authorities and five Japanese media organizations including Japan Broadcasting Corp. (NHK) agreed Thursday [1 June] to relax rules on Japanese visual software for export to Taiwan, said officials at Taiwan's representative office in Tokyo.

To date, documents regarding the export of visual software to Taiwan had to be checked by a notary office and also required a certificate from the representative office.

Although time-consuming, the procedure did not include verifying whether the applicant actually possessed the rights to the software.

Under the new agreement, software exporters will only have to furnish a certificate detailing the country of origin, the officials said.

The office's spokesman Chang Chao-ying said the agreement comes at a time when exports of Japanese-made software to Taiwan are increasing rapidly. He said the new certificate will also help to detect pirated products.

Forecast for Net Exports Revised Upward

OW3105123695 Tokyo KYODO in English
1218 GMT 31 May 95

[FBIS Transcribed Text] Tokyo, May 31 KYODO — The Japan Foreign Trade Council said Wednesday [31 May] that Japan's net exports will total 107.5 billion dollars in fiscal 1995 ending next March, revising upward its initial projection of 99.5 billion dollars.

But the revised figure represents a decrease of 8.9 percent from net exports in fiscal 1994 and thus Japan's trade surplus will drop for the second consecutive year, said the Association of Trading Houses.

The revision is necessary as Japanese manufacturers' increasing shift to overseas production will boost exports of production equipment, the council said. In addition, Japanese exporters will raise dollar-denominated export prices in reaction to the yen's steep appreciation.

Exports in fiscal 1995 are expected to expand 7.9 percent over the previous year to 441 billion dollars in light of brisk economic activity in the United States and Southeast Asia, the council said.

Imports will jump 14.8 percent to 333.5 billion dollars due to the strong yen and an increase in homeward imports from Japanese manufacturers' overseas plants, the council said.

The council worked out the initial forecast late last year at an exchange rate of 100 yen to the dollar. But as the yen has since appreciated sharply, the council made the new projection at a rate of 88 yen to the dollar.

The council also said Japan's economy will grow 1.5 percent in real terms in fiscal 1995, compared with its earlier forecast of 2.0 percent growth.

Takemura Confirms Foreign Exchange Intervention

OW3105144495 Tokyo KYODO in English
1410 GMT 31 May 95

[FBIS Transcribed Text] Tokyo, May 31 KYODO — Finance Minister Masayoshi Takemura confirmed Wednesday [31 May] that several central banks jointly stepped into the foreign exchange market to reverse the dollar's recent downswing.

In a press statement, the finance minister said the central banks of various countries "took the action in concert in response to the foreign exchange market situation" in recent days.

He hailed the coordinated action as living up to the spirit of the communique issued in late April in Washington by the finance ministers and central bankers of the Group of Seven major economic powers.

The communique called for an "orderly reversal" of the U.S. currency's downslide against other currencies in recent months.

In a related development, an international financial source said a total of 12 countries participated in the coordinated intervention.

A Finance Ministry source said the countries were Norway, Sweden, the Netherlands, Belgium and Switzerland as well as the Group of Seven (G-7) economic powers — Japan, Canada, the United States, Italy, France, Britain and Germany.

A Bank of Japan source also confirmed the concerted intervention to snap up dollars for yen.

The source said these countries selected this time for their intervention because they "judged that this timing is likely to make the intervention effective."

Japan hopes that the yen's exchange rates with other currencies will "return to appropriate levels as quickly as possible," the source said.

Meanwhile, market players said they were puzzled at the concerted intervention.

An official at the Long-Term Credit Bank of Japan said the dollar may face strong technical resistance when it approaches the 85 yen level again.

"Whenever the dollar approaches the 85 yen level, Japanese exporters are standing by at that level to sell dollars to convert their dollar earnings. So I cannot believe market players will drive up the dollar above that level," the official said.

The official said, "perhaps Japan actively requested other countries to take steps to prevent the yen's rise as it wanted to avert a further deceleration of its economy in view of increasingly pessimistic views of an economy recovery as a result of the share price declines and the higher jobless rate."

Takemura Negative on Lowering Loan Rates

OW0106060195 Tokyo KYODO in English
0440 GMT 1 Jun 95

[FBIS Transcribed Text] Tokyo, June 1 KYODO — Japanese Finance Minister Masayoshi Takemura told Philippine Finance Secretary Roberto de Ocampo on Thursday [1 June] that it is difficult to lower interest rates of yen-denominated loans, ministry officials said.

Takemura was quoted as telling de Ocampo, "It's a pity that the Philippines' burden of interest payment for loans from Japan has swollen. But it's difficult to talk about past loan conditions."

Under an agreement with the Philippines, Japan has been providing loans worth roughly 100 billion yen annually. Currently negotiations are under way concerning the 20th such loan extension.

Takemura was quoted as saying Japan will make various efforts to restrain the growth of debt burdens by stabilizing the yen's rate in the foreign exchange market.

De Ocampo, who arrived here Wednesday, will hold a series of meetings with top Japanese financial officials during his three-day stay in Japan.

Fixed Interest Rate on Postal Savings Drops

OW0206104695 Tokyo KYODO in English 1016 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — The interest rate on fixed postal savings deposits of three years or more will be cut from the current 1.85 percent to the lowest ever level of 1.65 percent effective Monday [5 June], the Posts and Telecommunications Ministry said Friday.

The move is in response to the decline in market rates, particularly in long-term ones, ministry officials said.

The rate's previous low was 1.80 percent, seen during the two weeks following may 1.

The Postal Ministry will also slash interest rates on all other fixed postal savings of one year or more, making them the lowest ever.

Interest rates on all new time deposits of one year or more will also be cut. A 0.2 percentage point cut will put the rate on three- year new time deposits at 1.75 percent and that on four-year deposits at 2.10 percent.

Panel Endorses Minister's Plan on Grain Prices

OW0106133895 Tokyo KYODO in English 1321 GMT 1 Jun 95

[FBIS Transcribed Text] Tokyo, June 1 KYODO — An advisory panel Thursday [1 June] endorsed the farm minister's plan to keep this year's government-purchasing prices of wheat, barley and rye unchanged from the previous year for the fourth straight year.

The Rice Price Council, which held discussions on appropriate wheat price levels at the day's meeting, made the recommendation in a report submitted to Agriculture, Forestry and Fisheries Minister Taichiro Okawara, ministry officials said.

Okawara will report the panel's endorsement to a cabinet meeting Friday morning, the officials said.

The price for wheat was pegged at 9,110 yen per 60 kilograms, while that of barley remained unchanged at 6,540 yen per 50 kg. The price of rye was pegged at 9,421 yen per 60 kg.

The panel also said in the report the government should review the current wheat price calculation formula based on a survey on production costs.

During the day's debate, some panelists demanded that the government narrow the gulf between the overseas and domestic prices of wheat. Domestically produced wheat now costs up to five times more than in overseas markets, officials said.

However, their arguments were outweighed by other panelists who noted the need to encourage domestic farmers to continue to produce wheat even by officially subsidizing wheat prices in a bid to retain a production base for wheat in Japan, they said.

IBJ, Other Banks To Fund Asian Projects

OW0106100095 Tokyo KYODO in English 0941 GMT 1 Jun 95

[FBIS Transcribed Text] Tokyo, June 1 KYODO — The Industrial Bank of Japan (IBJ) said Thursday [1 June] it and six banks from South Korea, China, Singapore, Thailand, Indonesia and Malaysia have established a joint consultative body Thursday to finance a growing number of industrial development projects in Asia.

The six partners are the Korea Development Bank, the State Development Bank of China, the Development Bank of Singapore, Bangkok Bank Public Co., Pt. Bank Negara Indonesia and the Bank Bumiputra Malaysia Berhad, the IBJ said.

The founding of the new body, the Association of Development and Industrial Banks in Asia, was marked Thursday in a ceremony attended by executives of the banks at a Seoul hotel, it said.

The association plans to promote large industrial projects, arrange international cooperation in raising funds for the projects and exchange relevant information and personnel, it said.

Major Banks Register Lower Profits for 2d Year

OW2005062595 Tokyo KYODO in English 0609 GMT 20 May 95

[FBIS Transcribed Text] Tokyo, May 20 KYODO — Japan's 11 leading commercial banks are expected to post 2.06 trillion yen in total net profit from core banking business for the business year ended March 31, down 13 percent from the previous year, banking sources said Saturday [20 May].

The sources blamed the second consecutive year of decline in such profit on a decrease in bank loans to corporate customers.

Sanwa Bank is likely to post 305 billion yen in net profit from its core banking business, the highest among the 11 banks, followed by Fuji Bank, the sources said.

Fuji, No. 1 in fiscal 1993 profit rankings, is likely to drop to No. 2.

The sources said Sumitomo and Hokkaido Takushoku Banks are expected to post pretax losses, while the other banks are likely to register pretax profits.

The banks also wrote off bad loans totaling 3.4 trillion yen in the year, up nearly 1 trillion yen from the previous year, the sources said.

Writeoffs of bad loans totaled 800 billion yen for Sumitomo Bank, up 300 billion yen from an initial forecast, and 300 billion yen to 500 billion yen for other major banks, the sources said.

To raise funds for writing off bad loans, the banks resorted to mass selling of securities, they said.

MOF Lifts Curbs on New City Bank Outlets

OW0206104395 Tokyo KYODO in English 0950 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — The Finance Ministry [MOF] announced Friday [2 June] it has completely abolished restrictions on the opening of new outlets by Japan's 11 major commercial banks as part of its deregulatory measures announced in March.

The ministry, in issuing an official notice to this effect, said that in fiscal 1993 and 1994, each "city" bank was allowed to open a maximum of only two "general outlets" without staff restrictions and seven "minioutlets" with up to 18 staff.

The notice also includes liberalization of the opening of automated outlets that mainly provide automatic teller machines by the "city" banks, regional banks and second-tier regional banks which were converted from "sogo" (mutual loans and savings) banks, it said.

For each bank, opening of such outlets was limited to 10 with up to six staff in fiscal 1993 and 1994. Friday's notice allows a bank to have up to eight staff at each such outlet, five years after opening.

Sound Infrastructure Investment Decisions Urged

OW0206104495 Tokyo KYODO in English 1005 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — The head of the Tax Commission called on the government Friday [2 June] to sort out public investment for necessary social infrastructure as a way to secure sound finances.

Kan Kato, chairman of the advisory body to the prime minister, said at a press conference, "there is a lot of futile investment .... It is necessary to increase investment in things that are really needed."

Now that the "bubble economy" has burst and positive finances have become difficult, the government should review its allocations of financial resources, Kato said.

To this end, deregulation is the first thing to be done, he said.

Kato urged the government to consider how to use its resources since tax revenues are unlikely to increase for the time being.

"People will lose trust in the government unless it explains the real state of finances," he said.

The committee gathered earlier in the day to exchange views on the relationship between the bubble economy and tax revenues, Kato said.

The government should have set aside tax revenues boosted during the bubble years to finance later tax cuts after the bubble burst, just like European nations' funds to stabilize investment, Kato said.

Kato called for ways to maintain stable tax revenues regardless of economic conditions.

The day's gathering was the third round of the commission's discussions since May 12 on medium-term tax system reform, with the next round set for June 13, Kato said.

Full-scale Diet deliberations will start after this fall to make recommendations by the fall of next year.

New Panels To Study Lenders, Deposit Insurance

OW0106121195 Tokyo KYODO in English 1147 GMT 1 Jun 95

[FBIS Transcribed Text] Tokyo, June 1 KYODO — An advisory body to the finance minister on Thursday [1 June] set up two subcommittees to discuss, among others, ways to dispose of failed lenders and reforms of the deposit insurance and banking systems, Finance Ministry officials said.

The first subcommittee under the Financial System Research Council will study how to share burdens in disposing of failed financial institutions and how to expand the function of Deposit Insurance Corp., the officials said.

Tasks include settling the issue of bad loans held by financial institutions and stabilizing the nation's financial system, which has deteriorated in the wake of the burst of the "bubble" economy, they said.

Regarding the controversy over a bank of Japan-funded scheme to dispose of two Tokyo-based credit unions, it will discuss the role of management, shareholders, public organizations and others in bearing losses incurred by the disposal of bankrupt lenders, the officials said.

Under the current deposit insurance system, there are only two options — payoffs of up to 10 million yen per depositor and financial aid to lenders taking over bankrupts.

Since payoffs have never been carried out so far, however, a hike in the maximum payment for large-lot depositors will be among measures studied.

Criticism has grown that giving up payoffs in disposing of the credit unions, which went bankrupt due to their own lax management, results in salvation of large-lot depositors who enjoyed high interest rates on deposits over 10 million yen.

Reform of the deposit insurance system requires revision of a related law. The ministry aims to revise the law at next year's ordinary Diet session after drawing a conclusion as soon as possible.

The subcommittee will also review the supervision of cooperative financial lenders, including the propriety of presidents holding other jobs, disclosure of management data, possible auditing by certified public accountants and early warning measures to remedy ailing management, they said.

The second subcommittee will study accounting systems for derivatives deals, diversification of credit flotation such as the introduction of asset-back securities and ways to build an effective financial system, including the establishment of holding companies, among others, they said.

Bill To Revise Insurance Business Law Approved

OW3105015595 Tokyo KYODO in English
0122 GMT 31 May 95

[FBIS Transcribed Text] Tokyo, May 31 KYODO — The House of Councillors at a plenary session on Wednesday [31 May] morning approved a bill to revise the Insurance Business Law.

The revision, the first in 56 years, is expected to come into force next spring.

It calls for, among other things, allowing life and nonlife insurance firms to enter each other's business fields, and for creating an insurance version of the banking industry's Deposit Insurance Corp.

The establishment of the corporation is aimed at protecting policyholders in the event of bankruptcy of insurers.

Deposit Insurance Corp. was set up in 1971 by the Finance Ministry and the Bank of Japan. It collects money from member financial institutions to secure deposits in emergency cases.

Ministry Reports Drop in Manufacturing Workforce

OW1605111395 Tokyo KYODO in English
1011 GMT 16 May 95

[FBIS Transcribed Text] Tokyo, May 16 KYODO — The number of full-time workers at the manufacturers with more than 30 employees posted a 2.3 percent year-on-year decline to 7.99 million in fiscal 1994, the Labor Ministry said in a report Tuesday [16 May].

The report attributed the yearly drop, the second in a row, to the anemic economy.

Meanwhile, the number of full-time employees at all companies with more than 30 workers saw the first drop in 19 years to 23.53 million, it said.

The figure was a 0.1 percent decrease from that in the previous year, it said.

The report linked the decline to sluggishness in industrial sectors such as manufacturing, real estate, wholesale and retail, which more than offset favorable effects from increased jobs in sectors such as construction, transportation and telecommunications.

The average monthly overtime put in at manufacturers with a workforce over 30 totaled 12.5 hours, up 7.4 percent over a year before, marking the first upturn in five years, it said.

Inflation-adjusted wages at all companies with more than 30 employees witnessed a 1.9 percent increase for the first upswing in three years, fueled by the increased overtime, it said.

Recession Trims Workforce for 4th Straight Month

OW3105124795 Tokyo KYODO in English
1135 GMT 31 May 95

[FBIS Transcribed Text] Tokyo, May 31 KYODO — Economic stagnation resulting from the strong yen trimmed Japan's regular workforce in April for the fourth straight month, the Labor Ministry said Wednesday [31 May].

The ministry, in a monthly report on labor statistics, said regular workers employed by companies with 30 or more employees totaled 23,553,000 in April, down 0.6 percent from the year before.

It was the fourth straight month that the workforce had shrank from the previous year level and the year-on-year drop was the sharpest since November 1975 when a 1.0 percent fall was recorded, the ministry said.

Ministry officials said the decrease is attributable to restraint on new employment by corporations concerned about the slow economic recovery resulting from the strong yen.

The ministry said the average hours of overtime at manufacturing firms with 30 or more workers stood at 14.0 in April, up 15.8 percent over a year earlier for a double-digit rise for the seventh straight month and 0.6 percent over the previous month.

The officials, however, said that the nation's industrial production, which is closely linked to overtime, is expected to fall in May and June.

The ministry said the regular workforce for the manufacturing industry declined 1.8 percent from a year earlier for the consecutive year-on-year fall since February 1993.

The regular workforce for the wholesale-retail sector slumped 1.0 percent, posting the sharpest fall since September 1973 when the drop stood at 1.2 percent, it said.

The transport-telecommunications industry suffered a 0.3 percent decrease against a 0.8 percent drop recorded in March 1988, the ministry said.

The Construction Industry reported a meager 0.2 percent rise, reflecting sluggish housing starts.

The ministry said total work hours at companies with 30 or more workers decreased 0.5 percent for the first drop in three months while regular wages for employees rose only 1.5 percent, reflecting a generally small wage hike this spring.

Unemployment at Record 3.2 Percent in Apr

OW3005013295 Tokyo KYODO in English
0042 GMT 30 May 95

[FBIS Transcribed Text] Tokyo, May 30 KYODO — Japan's unemployment rate rose to a record high 3.2 percent in April, up 0.2 percentage point from the previous month, the Management and Coordination Agency said Tuesday [30 May].

The rise was attributed to the growing number of unemployed among small-size wholesalers and retailers as a result of January's Great Hanshin Earthquake and the yen's sharp rise against the U.S. dollar, an agency official said.

The previous high of 3.1 percent was reached in May 1987, when the yen's rise reduced job opportunities.

"We have to continue to take a close look at the nation's labor situation," said the official, pointing out that after the rate dropped to 2.8 percent last December, it showed a gradual upward trend.

The number of jobless in April, tallied on a seasonally adjusted basis, was 2.14 million, up 10.3 percent or 200,000 from a year before, the official said.

Jobholders decreased by 210,000 or 0.3 percent to 64.75 million, the first drop in three months.

The April jobless rate was the highest since 1953, when the agency adopted the current method for calculating unemployment figures, the agency said.

The jobless rate for males stood at 3.1 percent, up 0.1 point from the previous month, and the rate for females reached a record high of 3.2 percent, up 0.2 point.

In a separate report, the Labor Ministry said the closely watched ratio of job offers to job seekers, a key indicator for demand for labor, declined 0.01 point in April from March to a seasonally adjusted 0.65.

This means there were 65 job offers for every 100 people looking for jobs.

Labor Minister Manso Hamamoto said the ratio "still requires careful monitoring."

Toyota To Cut College Graduate Intake for 1995

OW0106074995 Tokyo KYODO in English
0721 GMT 1 Jun 95

[FBIS Transcribed Text] Tokyo, June 1 KYODO — Toyota Motor Corp. announced Thursday [1 June] it will hire some 140 university graduates next spring, 30 percent fewer than in fiscal 1995 and the smallest number since its merger with Toyota Motor Sales Co. in 1982.

As reasons for the sharp reduction, a Toyota spokesman cited expected falls in profit in fiscal 1995 ending next March 31, due to the strong yen and possible U.S. sanctions on luxury Japanese car imports.

According to the plan, Toyota will hire 40 university graduates in fiscal 1996 for administrative work, compared with 61 in fiscal 1995, and some 100 on the technical side, down from 145 this spring.

The combined number of 140 graduates contrasts sharply with the 883 hired in the peak year 1992.

As for the number of high school graduates to be hired, Toyota will decide by the end of June, mainly taking into consideration the effects of the yen's appreciation, the spokesman said.

As a result, Toyota's total workforce is likely to be under 70,000 people, for the first time since 1989.

Toyota also announced major changes in the way it hires people, to keep pace with the changing times.

It will drop the past practice of employing university graduates on recommendations from their universities and from this year will introduce an "open-call" system under which graduates will not be required to identify their alma mater.

Potential employees will be assessed on the flexibility of their thinking and freshness of viewpoint, Toyota said.

Hiring will take place throughout the year, instead of being seasonal, the company said.

Toyota also said it will seek more foreign nationals and midcareer personnel.

Employment Rate Drops for High School Graduates

OW0206104795 Tokyo KYODO in English
1027 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — Almost 94 percent of job-seeking senior high school graduates have found employment after leaving school this spring, but the rate is the lowest registered since the introduction of such statistics in 1976, the Education Ministry said Friday [2 June].

The ministry said the employment rate for such graduates dropped by 1.3 percentage point to 93.9 percent from the previous record low of 95.2 percent last year.

Some 25,170 high school graduates are still looking for employment, it said.

Employment prospects are limited for both male and female graduates this year, but women also have a 3.5 percentage point disadvantage against men.

While the employment rate for female graduates dropped 2.0 percentage points from last year to 92.1 percent, the employment rate for male graduates came down just 0.5 percentage points to 95.6 percent.

"The tight labor market is likely to continue even if the economy recovers, as the companies' resolve to slim their workforce remains unbroken," ministry officials said in analyzing the recruitment slump.

The ministry earlier Friday instructed the prefectural education committees across the nation to assist high school graduates in their job-seeking efforts and also called on the business world to create more employment opportunities for senior high grads.

In general, graduates from vocational senior high schools had better success in getting hired than graduates from ordinary high schools.

Technical senior high schools ranked tops with a recruitment rate of 97.8 percent, followed in declining order by specialized high schools for nursing, agriculture, fisheries and commerce.

The rate for graduates of ordinary senior high schools stood at 91.1 percent, with the rate for females dropping for the first time below 90 percent to 89.7 percent.

Geographical discrepancies were also noticeable. Tochigi Prefecture ranked tops with a recruitment rate of 99.2 percent, followed by Yamagata and Toyama Prefectures, each with 98.7 percent.

Trailing far behind at the bottom end was Japan's southernmost island prefecture of Okinawa, which registered a 62.9 percent rate. Second and third from the bottom were Kanagawa Prefecture and the northern main island of Hokkaido with 87 percent and 88.7 percent, respectively.

Labor Panel Endorses Employment Support Program

OW2405062595 Tokyo KYODO in English
0610 GMT 24 May 95

[FBIS Transcribed Text] Tokyo, May 24 KYODO — A Labor Ministry advisory panel on Wednesday [24 May] endorsed a new employment support program designed to overcome the strong yen and the earthquake disaster in western Japan, ministry officials said.

The officials said the plan, prepared by the ministry for enforcement July 1, was endorsed at a meeting held by the Central Employment Security Council.

The program will replace the old plan, known as the total program for employment support, which is due to expire at the end of June.

The new plan will incorporate new criteria for designating industries requiring employment adjustments to tide over the recession while taking over measures for employment security in quake-hit areas in the Kobe-Osaka region, the officials said.

Under the new program, industries which suffered more than 10 percent declines in production, sales and workforce under the impact of the strong yen over the recent six months will be designated as eligible for government subsidies for employment adjustment.

The government will subsidize vocational training for employees who were discharged or laid off due to the strong yen and their wages, the officials said.

Some steel and textile makers eligible for government subsidies under the old program will continue to keep the status under the new plan, they said.

White Paper Urges Environment-Sensitive Lifestyle

OW3005020395 Tokyo KYODO in English 0047 GMT 30 May 95

[FBIS Transcribed Text] Tokyo, May 30 KYODO — One of modern society's main features — volume production for mass consumption — should be reviewed to allow people to live in harmony with the environment, the government said in an annual report Tuesday [30 May].

In an unprecedented criticism of modern society, the 1995 White Paper on the Environment said the current socioeconomic system has already posed the risk of dealing an "irreparable" blow to earth's environment.

It said people living in modern society "have played the game without understanding the basic rule of existence and development that things taken from nature should return to nature to the extent that they can be received."

Examining the soil of Japan, the report warned of widespread soil pollution and pointed out that the health of soil could not be recovered easily because the recycling period of materials in the soil is very long.

Looking ahead, the report proposed changing society into a recyclable socioeconomic system with the introduction of a so-called green tax and other penalties against pollution.

It also called on Japan to be a leader in transferring environment protection-related technology to fast-growing Asia-Pacific nations.

FTC Warns on Building Materials Price-Fixing

OW0106074895 Tokyo KYODO in English 0659 GMT 1 Jun 95

[FBIS Transcribed Text] Tokyo, June 1 KYODO — The Fair Trade Commission (FTC) issued warnings to five makers of construction materials Thursday [1 June] over dubious practices suspected of being aimed at price fixing.

The step followed the December 1993 raid on offices of the five makers on suspicion they had formed a cartel to fix prices of autoclaved lightweight concrete board used in the walls of office buildings and residential houses.

Such a cartel constitutes violation of the antimonopoly law by limiting competition.

The FTC only issued a warning rather than taking administrative steps because the five makers were found to have already disbanded the cartel before the raid, the FTC said.

The five companies are Asahi Chemical Construction Materials Co., Sumico Siporex Co., Asahi Glass Kenzai, Nihon Ytong [as received] Co., all based in Tokyo, and Onoda ALC Co., based in Nagoya.

Murayama on Administrative Reform Measures

OW0206081195 Tokyo SANKEI SHIMBUN in Japanese 31 May 95 Morning Edition p 2

[FBIS Translated Text] Prime Minister Tomiichi Murayama invited Chairman Yotaro Iida and three other members of the government's special committee on administrative reform to his official residence on 30 May. He urged them to include drastic concrete measures on such issues as deregulation promotion in the committee's recommendation to be submitted to him in November. Murayama made this unusual request to "impel" the committee to promote administrative reform, which has not achieved any appreciable result, even though this is an important task of his cabinet. It can be said that this is an indication that Murayama will designate administrative reform as a proposition to maintain his administration after the upper house election.

Besides Iida, Murayama invited such committee members as Ichio Takenaka, vice committee chairman, and Shigemori Goto, chairman of the All Japan Prefectural and Municipal Workers Union.

Murayama stressed: "Many of those who voice support for the general plan on promoting deregulation become silent when it comes to concrete steps to promote it. I hope you will be unreserved in pushing your project vigorously." Murayama personally cited such issues as the reform of special public corporations and enactment of an information disclosure law and called on the committee to be uninhibited in giving tough advice to bureaucrats and industrial bodies.

It is very unusual that such a request has been made to a third party organ for monitoring the government's administrative reform by the prime minister, who is supposed to be monitored by it. Iida said that "we were told to also express our opinions without reservation at local public hearings," and indicated his positive stance on responding to Murayama's request.

Furthermore, when Takenaka pointed out that "the cabinet's leadership is indispensable to promote administrative reforms," Murayama said with confidence: "You can trust us. We will implement even difficult reforms."

Women Slated for Labor Ministry Bureau Chiefs

OW0206075695 Tokyo KYODO in English 0739 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — Two women will take jobs as bureau chiefs at the Labor Ministry in an unprecedented move in the planned reshuffle of high-ranking posts, ministry officials said Friday [2 June].

Nobuko Matsubara, head of the Women's Bureau, will become the first-ever female chief of the Labor Standards Bureau, the officials said.

Yoshie Ota, chief of the Policy Planning and Research Department, will become the chief of the Women's Bureau, they said.

The reshuffle is to take effect June 21.

Among other new appointments, Kazuo Hiromi, chief of the Labor Standards Bureau, will be promoted to assistant minister for international labor affairs.

Shohei Ito, director of the minister's Secretariat, will assume the post of chief of the Human Resources Development Bureau.

Vice Labor Minister Kunihiko Saito will retain his job, the officials said.

Parties Continue Debate on 'No-War' Resolution

Legislators Unveil Draft

OW3005105195 Tokyo KYODO in English
1018 GMT 30 May 95

[FBIS Transcribed Text] Tokyo, May 30 KYODO — Japanese lawmakers in favor of a Diet resolution expressing Japan's remorse and apology for its prewar and wartime behavior Tuesday [30 May] unveiled a draft resolution to mark the 50th anniversary of the end of World War II.

The 26 participants in the suprapartisan roundtable later presented their proposed resolution to House of Representatives Speaker Takako Doi and plan to deliver the resolution Wednesday to House of Councillors President Bunpei Hara.

The roundtable included representatives from the Social Democratic Party (SDP), new party Sakigake [Harbinger], both partners in the ruling tripartite coalition, and the main opposition party Shinshinto (New Frontier Party).

The roundtable's draft is influenced by the resolution being forged by a ruling coalition team and appears also to be an attempt to hold in check the protests of legislators opposed to the resolution.

The draft resolution expresses condolences to Japan's war dead and those sacrificed in the war, and then expresses its "deep remorse and apologies for all of the damage and suffering Japan inflicted on China, the Korean peninsula and other countries of Asia and the Pacific."

At the same time, the draft resolution pledges to investigate, elucidate and publicly release the results of a study into the facts of the casualties of the war and colonialism.

The draft concludes with an affirmation of Japan's determination for peace and a pledge to strive for world peace through the ideals of the war-renouncing Japanese Constitution.

Among the parties of the ruling coalition, the SDP and Sakigake favor an apology for Japan's wartime behavior while the Liberal Democratic Party (LDP), the largest component in the ruling coalition, opposes any apology, preferring instead a declaration of Japan's determination for peace.

Cabinet Ministers Back Motion

OW0206053695 Tokyo KYODO in English
0433 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — All ministers of Prime Minister Tomiichi Murayama's cabinet Friday [2 June] sought the three ruling parties' last-ditch efforts to reach a compromise on a proposed Diet resolution commemorating the 50th anniversary of the end of World War II.

"I hope the three parties will make a decision" on a "no-war" motion, Chief Cabinet Secretary Kozo Igarashi quoted the premier as telling an informal cabinet talk.

Murayama made the pitch, citing the three parties' policy accord last June in which they pledged to strive for passage of such a resolution through the Diet this year.

The three ruling coalition parties — Murayama's Social Democratic Party (SDP) [Social Democratic Party of Japan — SDPJ], the Liberal Democratic Party (LDP) and the New Party Sakigake — remain at loggerheads over the specifics of a resolution.

Reflecting wide gaps in historical perceptions, they are sharply divided on whether to express remorse for Japan's wartime aggression and colonial rule, among other things.

The SDP and Sakigake demand the terms "acts of aggression" and "colonial rule" be included in a draft motion, but the LDP, the dominant force in the governing alliance, is recalcitrant.

At Friday's cabinet session, Murayama implicitly expressed hope the LDP will make a concession and agree on the inclusion of the terms, saying he himself used them in his policy speech before the Diet last September.

Many cabinet ministers spoke of the need for leaders of the three coalition parties to take the initiative in drafting a Diet declaration, Igarashi said.

"I hope the three parties' secretaries general and other leaders will do their utmost to help pass a resolution. The determination of the parties' top leaders is imperative," Transport Minister Shizuka Kamei was quoted as saying.

International Trade and Industry Minister Ryutaro Hashimoto also urged a compromise over the wording of a draft motion, adding failure to adopt such a resolution "would cause serious trouble later."

Hashimoto heads the Japan War Bereaved-Families Association, a group seen as reluctant to pass a proposed resolution. Unifying roughly 1.04 million families of Japanese killed in the war, the association serves as a powerful support group for the LDP.

As the SDP and Sakigake are threatening to break up the coalition, it is up to the LDP whether the three parties can find middle ground over the wording of a draft motion by their deadline of Friday.

Foreign Minister Yohei Kono said at a news conference that he, as president of the LDP, will strive to build consensus within his party on what should be included in a draft resolution.

"I am trying to draw up our final plan while listening to a variety of opinions within the LDP," Kono said, referring to a large number of LDP legislators opposed to passage of a no-war declaration through the Diet.

Coalition Seeks Compromise

OW0206102895 Tokyo KYODO in English
1002 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — In a last-ditch effort to reach an accord on the wording of a planned Diet resolution to commemorate the 50th anniversary of the end of World War II, the three ruling parties are seeking a compromise Friday [2 June], coalition sources said.

The Liberal Democratic Party (LDP), the largest component in the ruling coalition, suggested it will concede and try to draft a compromise resolution, including words on Japan's "acts of aggression" and "colonial rule" in Asian countries and "remorse" over Japan's wartime deeds, the sources said.

Kazuo Torashima, who heads the LDP members in a coalition panel drafting the resolution, made the suggestion during a meeting with his coalition counterparts, they said. Torashima and LDP executives began discussing and drafting the compromise, but the work is facing rough going, LDP sources said.

Two other ruling parties — Prime Minister Tomiichi Murayama's Social Democratic Party (SDP) and New Party Sakigake — demand that the terms "acts of aggression" and "colonial rule" be included in any draft motion, but the LDP has been recalcitrant.

The three parties struck a policy accord last June to strive for passage of such a resolution through the Diet this year. The current Diet session will end June 18, and the coalition has set Friday as the deadline to produce a draft resolution.

Many members of the LDP leadership have come to consider a concession in order to maintain the tripartite coalition, LDP sources said.

However, a number of participants in a Friday noon meeting of the LDP Executive Council said the party should not easily concede, the sources said.

The gathering was adjourned for further discussion after the coalition panel drafting the resolution comes to a conclusion, they said.

SDP Secretary General Wataru Kubo suggested to reporters that his party is also ready to concede on the wording.

LDP members asked their SDP counterparts in the coalition panel meeting to drop its plan to have the resolution include descriptions on Asian women forced to provide sex for Japanese soldiers, according to coalition sources.

In the morning, all ministers of Murayama's Cabinet called for the three ruling parties' efforts to reach a compromise on the proposed resolution.

"I hope the three parties will make a decision" on a "no-war" motion, Chief Cabinet Secretary Kozo Igarashi quoted the premier as telling an informal cabinet gathering.

At Friday's cabinet session, Murayama implicitly expressed hope the LDP will make a concession and agree on the inclusion of the terms, saying he himself used them in his policy speech before the Diet last September.

International Trade and Industry Minister Ryutaro Hashimoto also urged a compromise over the wording of a draft motion, adding failure to adopt such a resolution "would cause serious trouble later."

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"I am trying to draw up our final plan while listening to a variety of opinions within the LDP," Kono said, referring to a large number of LDP legislators opposed to passage of a no-war declaration through the Diet.

NFP Statement Makes No Apologies

OW0206104095 Tokyo KYODO in English
0955 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — Executives of the largest opposition Shinshinto (New Frontier Party [NFP]) endorsed Friday [2 June] a statement from the party to mark the 50th anniversary of the end of World War II which neither mention Japanese "aggression," nor apologize for Japan's acts before and during the war.

The statement aims to present wartime facts in a straightforward way by saying Japan seized colonies just as the Western great powers had done, but it avoids excusing Japan's conduct by cutting a phrase from the original draft which said the colonies had been taken in order to protect Japan's "existence," Shinshinto officials said.

The statement also says Japan "deeply expresses remorse for giving huge pain and sorrow" to its Asian neighbors, but it does not use the term "apology."

It also avoids such controversial words as "aggressive action" and "colonial rule," due to strong opposition within Shinshinto, the officials said.

The party's leadership will make a decision later about whether it should submit for passage by the Diet its own resolution based on the statement, or simply to announce the statement.

Meanwhile, the ruling coalition of the Liberal Democratic Party, the Social Democratic Party of Prime Minister Tomiichi Murayama and New Party Sakigake [Harbinger] are making last-ditch efforts to reach a compromise on the wording of their own proposed joint Diet resolution commemorating the end of the war.

Reaction to Cancellation of Tokyo Exposition

Government 'Respects' Decision

OW3105055995 Tokyo KYODO in English
0311 GMT 31 May 95

[FBIS Transcribed Text] Tokyo, May 31 KYODO — The government respects Tokyo Governor Yukio Aoshima's decision to cancel a world exposition planned for Tokyo next year, a spokesman said Wednesday [31 May].

"The World City Exposition is basically an issue of the Tokyo metropolitan government. Therefore, we should respect the governor's decision," Chief Cabinet Secretary Kozo Igarashi told a news conference.

Touching on a previous cabinet decision to support the holding of the expo, Igarashi said the central government wishes to hear from the metropolitan government on the cancellation.

Aoshima, a television personality-turned politician, announced his decision to call off the exposition on Wednesday. He was elected governor in April, with a pledge to scrap the event being part of his election campaign.

The exposition, the blueprint of which was drawn up in 1990, was scheduled to be held from March 24 through October 13 next year on an area of reclaimed land in Tokyo Bay.

It was planned to boost a waterfront development project to create a futuristic city with a projected population of 63,000.

The metropolitan government has spent 21.2 billion yen on the proposed 200 billion yen project.

Business Leaders Comment

OW3105064895 Tokyo KYODO in English
0605 GMT 31 May 95

[FBIS Transcribed Text] Tokyo, May 31 KYODO — Japanese business leaders generally expressed understanding Wednesday [31 May] over the decision the same day by Tokyo Governor Yukio Aoshima to scrap the "World City Exposition" scheduled for next year.

"The governor inevitably had to put priority on his campaign pledge instead of on the continuation of administration," said Jiro Ushio, head of the Japan Association of Corporate Executives (Keizai Doyukai).

Jiro Nemoto, president of the Japan Federation of Employers Associations (Nikkeiren), expressed support by pointing out that a drawback to the expo plan was that it "had been pushed ahead during the bubble economy without the full consensus of Tokyo residents."

Others expressed regret at Aoshima's decision. "We had been strongly hoping for the expo to be held," said Kosaku Inaba, chairman of the Tokyo Chamber of Commerce and Industry.

"It is disappointing," said Shoichiro Toyoda, chairman of the Federation of Economic Organizations (Keidanren), but added, "we have to respect Aoshima's decision as one taken in reflection of the opinion of the people."

The leaders said that now the decision has been made, Aoshima needs to seek understanding overseas as well as domestically for the scrapping of the expo.

"Satisfactory explanations need to be made to the various foreign countries, related companies and local governments which have been preparing for the event," said Ushio.

"The governor must do his best to regain the confidence of both the Japanese people and foreign countries," said Nemoto.

Toyoda said he hopes the governor will "steadily go ahead with promoting the waterfront development project." The waterfront project had been expected to receive a boost from the expo event.

Meanwhile, businesses that had been preparing for the expo expressed regret but showed preparedness to comply with the governor's decision.

"The cancellation is a real disappointment since we have been preparing for this for two years," a senior official at Hitachi Ltd. said, adding that the company will be consulting with related companies on what response to take from now on.

A spokesman for the Sumitomo Group said orders will be given at once to stop operations and to cut as much cost as possible. "We had been prepared for such a decision. It is a shock to us nonetheless," he said.

A spokesman for the Mitsubishi Group said the scrapping of the event is "regrettable" but that construction work is still in the early stages. "We will decide what measures to take after holding talks with participating companies," he said.

An official of Nippon Telegraph and Telephone Corp. (NTT) said the communications giant is sad about the scrapping of the event but will take adequate steps "in response to the decision as we earlier said we would."

Tokyo Gas Co. and Tokyo Electric Power Co. also expressed disappointment but said they will comply with Aoshima's decision. Both companies have almost finished the groundwork for the pavilion but will remove it and return the land to the Tokyo government.

A spokesman for Keihin Electric Express Railway Co., which had planned to operate a 29-story hotel at the expo site, said they have a long-term plan that spans into the future beyond the event. He added, however, that "if the waterfront development project itself should be shrunk, it will hurt us a lot."

Kenji Maeda, chairman of the Japan Federation of Construction Contractors, which groups 60 general contractors, noted that "the cancellation has been expected," adding that he has no other particular comment to make.

Most of the construction work for the expo has been carried out by general contractors who will be able to seek payment by companies and other bodies according to the work done, even after cancellation, construction industry officials said.

Committee To Dismantle Plans

OW0106061195 Tokyo KYODO in English 0524 GMT 1 Jun 95

[FBIS Transcribed Text] Tokyo, June 1 KYODO — The Tokyo Metropolitan Government set up a special committee Thursday [1 June] to carry out Governor Yukio Aoshima's decision, announced Wednesday, to cancel the World City Exposition Tokyo '96, metropolitan government officials said.

The committee, composed of the vice governor and heads of related metropolitan government departments, has been instructed by Aoshima to minimize the impact of the exposition's cancellation, the officials said.

In particular, the committee will focus on mitigating the cancellation's effects on small- and medium-size enterprises, the officials said.

Meanwhile, the organization which was formerly established to promote the exposition will notify corporations, local governments and other would-be participants of Aoshima's decision, they said.

The organization's staff spent Thursday taking down expo posters from their office walls.

Elsewhere at the foundation, which was also set up originally to support the promotion of the exposition, employees spent their time preparing notifications to be sent to more than 1,000 corporations and local governments which were to participate.

A list of corporations requiring compensation is also being prepared. The firms will be compensated based on the extent of construction progress on their expo pavilion.

The exposition, scheduled for March 24 through October 13 next year on reclaimed land in Tokyo Bay, was planned as a way to promote a waterfront development project to create a futuristic city with a projected population of 63,000.

Aoshima said he canceled the exposition to keep a promise made to voters in his election campaign.

The TV personality-turned politician was elected governor in April, and a promise to cancel the exposition was one of the main planks in his election campaign platform.

Aoshima, however, had come under pressure from the Tokyo Metropolitan Assembly as well as some other local governments, both domestic and abroad, and from businesses, to allow the exposition to be held.

Seiko Epson To Market IBM-Compatible PC's

OW3105105195 Tokyo KYODO in English 0923 GMT 31 May 95

[FBIS Transcribed Text] Tokyo, May 31 KYODO — Japanese computer maker Seiko Epson Corp. said Wednesday [31 May] it will start marketing IBM-compatible personal computers (PCs) for individual users to restore its slumping share of the domestic market.

The company, based in Nagano Prefecture, said a variety of four desktop, multifunctional models, including the Epson Vividy VM466R, which are compatible with products made by the U.S. computer giant, will be marketed starting June 15.

The company has so far put emphasis on sales of machines compatible with products by Japan's leading PC maker NEC Corp.

The company plans to sell 400,000 PCs this year and IBM compatible machines will account for 60 percent of the total, officials said.

The company's PC sales totaled 280,000 units in 1994 for a market share of 5.3 percent, down from 6.4 percent for the preceding year.

The officials said the company decided to shift emphasis to IBM compatible machines for which demand has grown steadily.

They said domestic demand for PCs is expected to reach five million units this year and the company aims to boost its market share to 8 percent.

Electronics Firms Developing Digital TV IC's

OW3105132195 Tokyo NIHON KEIZAI SHIMBUN in Japanese 29 May 95 Morning Edition p 1

[FBIS Translated Text] Major electronics makers have, one after another, set forth developing integrated circuits [IC's] to be used for next-generation TV sets to meet digital broadcasting standards. In cooperation with American Telephone and Telegraph Co. [AT&T] of the United States, Mitsubishi Electric Corporation plans to promote a joint project in developing major parts of HDTV (high definition television) sets, which are currently being developed in the United States. Meanwhile, NEC Corporation has developed the most sophisticated IC to be used for the satellite digital broadcasting. Such a broadcasting service is now spreading in the United States as well as in Asia and Europe. In cooperation with NHK [Japan Broadcasting Corporation], various electronics firms in Japan have promoted the High-Vision System transmitted in an analog format; however, market response remains slow. However, the fact that both companies have begun to shift their development emphasis to the digital system is most likely to strongly impact concerned industries and the broadcasting administration in Japan.

Mitsubishi and AT&T plan to promote a joint project in developing IC's and other parts capable of expanding compressed video images by around 1997. These parts will be used as major components of the "ATV" [advanced television], or a U.S. version of HDTV, for which broadcasting standards are expected to be drawn up soon. Unlike High-Vision TV, ATV will adopt the digital system for its transmission. The U.S. Federal Communications Commission (FCC) is expected to draw up the final standards by the end of this year. Prominent American and European enterprises and universities have been engaged in drawing up the draft standards.

NEC has developed its own IC's for digital broadcasting via satellites. The IC will meet the "MPEG-2 [Motion Picture Expert Group]" standards, the international standards for image compression and expansion. NEC produces IC's capable of processing both audio and video data and putting them into a single IC, and combines it with a special sophisticated semiconductor memory. In this way, NEC has succeeded in reducing the costs by a large margin and in turning out miniaturized products.

JAL To Join GPS Trial for Aviation Control

OW0206041395 Tokyo KYODO in English 0320 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, June 2 KYODO — Japan Airlines Co. (JAL) will join a trial project to use a satellite global positioning system (GPS) for aviation control, company officials said Friday [2 May].

JAL's archrival All Nippon Airways Co. is also considering participating in the project, industry officials said.

The project, drafted by Japan's Transport Ministry and the U.S. Federal Aviation Administration, calls for using a real-time satellite-controled aviation system on a trial basis for the North Pacific route starting around 1997.

JAL plans to install related equipment in four Boeing 747-400 jetliners starting next year, JAL officials said.

The satellite-based aviation control system allows controllers to locate jetliners to within 100 meters by using position data sent from jetliners via satellite every five minutes.

Transport Ministry officials said the system could shorten the interval between flight departures from 15 minutes to 5 minutes and thereby to meet an increase in air traffic in the future.

At present, controllers use data from ground radars, which can cover an area within a radius of 450 kilometers, and hourly reports from pilots in determining the jetliners' locations.

This makes it difficult for controllers to grasp their locations precisely, requiring the number of airlines flying in a certain space to be limited to avoid collisions.

Technical Cooperation in Auto Industry Examined

OW0206060895 Tokyo JIDOSHA GIJUTSU in Japanese Apr 95 pp 3-4

[Article by Hiroshi Takechi, professor of the Fukuoka Institute of Technology]

[FBIS Translated Text] The bursting of the economic "bubble" of speculative investment put the Japanese economy into an unprecedentedly severe slump, which is said to have proven to be a long-lasting issue as it is a structural problem. As for the automobile industry, drastic measures are necessary in order to secure profits and employment by coping with the following problems:

1. Sluggish sales of automobiles and falling unit prices.

2. A shift to overseas production as a result of the yen's appreciation and the industry's hollowing out.

3. Increasingly stringent social regulations regarding environmental problems and others.

Improving profits requires, as fundamental factors, expanded sales and a cut in production costs. But these two factors often prove contradictory to each other. A simple cut in prices through a lowering of vehicle performance and decreasing accessories will reduce vehicle attractiveness, which in turn will lead to worsened sales. Therefore, it is necessary to slash production cost as much as possible while retaining vehicle performance and accessories as they are.

This is a very severe requirement. But technology has greatly advanced under such extreme conditions as war, and we should positively accept our situation as a once-in-a-lifetime chance for engineers to grab. However, we should not misunderstand the meaning of cost reduction. People tend to think only of manufacturing some parts, which have so far cost 100 yen, at 95 yen or 90 yen. But even if the cost increases to 110 yen, it should be all right so long as the vehicle as a final product costs less. Extremely put, for example, if no car can be produced or high penalties are levied unless exhaust fumes, fuel, noise and other environmental regulations are met, it means nothing to slash the production cost of cars. In this case, what is primarily important is that cars sell even if clearing the regulations results in a 10 percent rise in cost. This is tantamount to an increase in sales through a cut in production cost.

When I went to Mercedes-Benz AG and conferred with engineers there last year, they said: "We have been designing cars by seeking an optimum point within a triangle of materials, production technology and design, and then providing environmental measures. But now we cannot make cars that simply any more. We have to seek an optimum point within a tetrahedron of materials, production technology, design, and environmental measures. This is our thought at Mercedes-Benz." This episode has something in common with what I said above.

Materials are said to account for 60 percent of a car's production cost. Thus materials and how to use them are very important factors for production cost. The Materials Committee of the Society of Automotive Engineers of Japan and the Automobile Materials Subcommittee of the Iron and Steel Institute of Japan have set up the Automobile Materials Joint Research Group. Its establishment was supported by the recognition that joint activities between industries will become increasingly important in the future. At the group, members from 12 automakers and 10 steelmakers have exchange through working group activities and symposia, and are actively discussing development of better auto mobile materials and their use.

It is well known that automakers and steelmakers have been promoting close inter-industry cooperation since the end of war, providing a model for the world. At a convention of the Society of Automotive Engineers in February 1989, Dr. Patrishkoff of General Motors Corp.

showed a figure depicting carmakers and steel mills separated by barbed wire and reported that efficiency improved remarkably in the development of the 1989 models of the Cadillac Deville and Fleetwood when a steelmaker was added to the development team at an early stage. He called the close technological cooperation relations "simultaneous engineering," pointing out that it is the technological attitude the US auto industry, then fraught with problems, must establish first.

I listened to his lecture at the convention with much interest. I thought at that time: "This simultaneous engineering relationship has long been a matter of course in Japan. America has at last come to recognize it." Meanwhile, American steelmakers, through technological guidance by Japanese steelmakers, have come to understand their Japanese counterparts' way of business, that is, attaching importance to close relations with customers. For example, we now often hear that engineers of American steelmakers frequently visit Detroit. Honestly speaking, Japanese automakers and steelmakers had apparently underestimated the change in the United States until the bursting of the economic bubble. After the collapse of the bubble, US automakers reportedly scored all-time high profits, whereas Japanese key industries are suffering from slump. Of course, this contrasting difference is almost wholly due to a difference in domestic economic conditions between the two countries. But still I think the change in the thinking of engineers is working invisibly as the driving force of the revival of the United States.

Then what thoughts should we pursue? If we say we have been doing well enough with simultaneous engineering, can we continue to do so by simply extending the practice? It is true that Japan opened a road in the Japanese way for the past decades and enjoyed prosperity. But if history is any indication, no country or organization can keep on prospering using the same method.

Much soul-searching has been done concerning the fall of the U.S. auto and steel industries. Let me take up some examples: "...the financial, technical, and production staff of GM said, 'This is ridiculous, we are fully content with our present level' to people who pointed out that per capita productivity at Honda of America Manufacturing would shortly become 10 to 15 times as high as that of GM" (*The Fall of the GM Empire*, by Marianne Keller), "...nevertheless Bethlehem Steel showed no interest. Someone said, 'Why do you rock the boat? We are doing well enough" (*The Fall of the Steel Industry*, by John Stromeyer).

Now we have to create something that excels simultaneous engineering, which we built and the United States introduced much later. Engineers of both steelmakers and carmakers should regard the manufacturing processes of steelmakers and carmakers, or the process from blast furnaces to shipment of cars, as a single continuous step and after fully understanding this single step, they should have responsibility for the entire process and make positive proposals and trials which will produce total merits. Then both sides can share the total merits thus produced. This is not mere close relations but deeper joint-and-several relationship. You may think it is unrealistic because there are difficult problems, such as walls between companies and the keeping of technological secrets. But when we think of the yen's appreciation leading to the exodus of many plants from Japan and the hollowing out of Japanese industry that deprives it of vitality and technological power, we should think of the auto and steel industries that boast the world's most advanced technology. The unity of such highly advanced automakers and steelmakers is almost impossible in other countries or regions. It is the factor indispensable to the development and maintenance of Japan's technological power in the future. We are now at a turning point where we should not talk if such unity is possible or not, but discuss what we should do now to make the relationship between the two industries even a bit closer to such unity.

AIST Researcher on EV, Other Auto Research

OW0206061095 Tokyo JIDOSHA GIJUTSU in Japanese Apr 95 pp 65-67

[Article by Kenichi Shimizu, Energy Department of the Mechanical Engineering Laboratory of the Agency of Industrial Science and Technology (AIST)]

[FBIS Translated Text] **1. Foreword**

The predecessor of the Mechanical Engineering Laboratory (MEL), in which I belong, is the Machine Testing Institute set up in 1937 under the former Ministry of Commerce and Industry. It was established to eliminate the Japanese machinery industry's dependence on foreign countries. Much energy was poured into automobiles in the early days of its foundation and in the 1970's, when securing safety and preventing pollution were called for. But today, automobile research is done not systematically but depending on research interest.

In this paper, I will introduce research anecdotes and what I always feel through research.

2. Research Anecdotes — Will Luck Come?

Beginning with automobile collision experiments, I have been involved on various themes related to energy saving and safety. Currently, I am conducting research on three matters — assessment of electric vehicles (EV's), the handling of EV batteries, and tire performance on ice.

Road dust caused by spike tires became a big issue about 10 years ago. At that time, there was a group within MEL trying to develop a spike pin made of a shape memory alloy that would stick out of the tire only when necessary. My superior asked me if I would do research assessing tires with such spike pins. I was interested in the rolling loss of a tire on rollers and wanted to have a tire testing machine with a drum whose inside and outside can both be used. From this selfish motive, I accepted his invitation.

As my obligations were in assessing damage on the paved road surface and tire performance on ice, I made a testing machine in which an asphalt-paved road surface sample is placed inside a drum. This tire tester simulating a road covered with ice and snow led to unexpected strokes of luck, which are introduced below, to me.

As I was not well versed in road surface tests, I visited a laboratory with experience in that field. There, I learned that no experiment can be done from spring onward due to a rise in road surface temperature. I concluded that running on the same road surface a testing machine over and over again in a short cycle would sharply raise the temperature. Therefore, I added to the testing machine a function to allow the tire to run on various sections of the road surface at random as much as possible without side force. This later proved to be the first of my luck.

A flow researcher came for a prior study from the Government Industrial Development Laboratory, Hokkaido (now the Hokkaido Industrial Technology Institute), which joined the research one year later. He taught me that ice should not be thin, but thick. I tried to produce a road surface covered with ice with water sticking to the drum by centrifugal force, pouring water from a bucket into the inside of the drum turning at a high speed in a low-temperature environment. But this produced mountains of granulated ice.

After making observations for a few weeks, I concluded that there was water inside the drum which flows inside the drum without turning with the drum and that ice nuclei produced on the water surface are stirred by such water and stick to the drum. I found it necessary to prevent water from freezing from the surface and grow ice always from the drum side.

The flow researcher opted for a method to prevent freezing from the water surface by placing a thermal cover inside the drum. But I did not like this method, as the process of ice growth cannot not be seen and chose a continuous method under which the drum turns very slowly. A pool is made at the bottom of the drum and as the drum turns, water film on the drum surface freezes as it comes in contact with the air. It is important to keep the amount and temperature of the water in the pool constant.

This choice later made possible a new development. We noticed that the results of tests by an indoor testing machine have a slight, certain tendency. As a result of a study, we found that ice on the test road and that we made not only have different crystal sizes but also have different crystals and that these differences led to different on-ice characteristics of tires. We found it possible to control crystals and crystal sizes by adjusting the water temperature of the pool, opening the way for the current research with emphasis on ice characteristics.

The random running of a tire on the simulated road surface also brought new good fortune to testing on ice. Spike tire testing using this method leaves uniform roughness on the road surface as on an ordinary road surface, not vertical grooves carved by pins as in ordinary tests. Studless tire characteristics on a flat frozen road surface depend greatly on ice temperatures, and the coefficient of friction drops as much as 0.1 on ice close to zero degrees Celsius. At that time, I could not really understand the views of people in northern parts of the country that "the use of spike tires should be banned as the performance of studless tires is good enough for practical use." I understood only when I studied the characteristics of studless tires on a road damaged by spike tires. The friction mechanism was different on the damaged road surface. The characteristics did not depend on ice temperatures and the friction coefficient was around 0.3, only slightly lower than a wet road surface. The view that studless tires can be practically used in northern parts of the country is based on the fact that spike tires are also used. We could see easily that if spike tires are not used at all, the situation will become very dangerous with the tire characteristics depending on ice temperatures as indicated by tests.

It looks as though the research was successful thanks to a series of luck. But I am not satisfied somehow with the view that the major factor of the progress of the research was "luck." I am now interested in acquiring a knack of obtaining luck by logical reasoning.

Equipment introduced 20 years ago when the development of EVs was greatly promoted no longer can deal with new EVs with increasing capacities. As we luckily had an opportunity to replace the equipment, we added, on top of larger capacities, capabilities to deal with four-wheel-drive vehicles, manage temperatures of components below the vehicle floor and precisely simulate regenerative braking. The capability to simulate regenerative braking was added in anticipation of increasingly complex electric/mechanical brake control in practical EVs. Thanks to this capability, the equipment works as a chassis dynamo meter when the test vehicle is running and as a four-wheel brake dynamometer at the time of braking. I am now trying to grasp problems involved in the practical use of EVs and working out a research plan for assessment test methods, expecting the next stroke of luck (?).

3. What I Think Through Automotive Research

Response time of pen motor type recording instruments. I bought one and used it to find that waveform distortion was larger than conventional models. I asked the manufacturer. I complained that there must be no waveform distortion because the instrument was designed for waveform observation. An official in charge of its development explained that the major aim of the development was to obtain supremacy over other models in frequency characteristics because they are one of the yardsticks for assessment of recorders and that recorders are assessed by how stable the amplitude is up to what frequency when a sine wave is recorded. I felt at that time that common wisdom in one society can be irrational in another.

I spent as long as a quarter of a century doing research in the automotive field. I would like to express my personal views here on (part of) automotive research in a bid to review common wisdom in this field.

Fuel Efficiency For Whom? The transportation sector accounts for a large part of energy consumption, and a major part of that is by automobiles. Therefore, cutting fuel consumption is an important theme for automobiles. In this context, efforts for better fuel efficiency are important.

However, as far as the normal speed range for city driving is concerned, actual fuel efficiency tends to be almost in proportion to the average traveling speed. Thus there can be a view that traffic jams are the real cause of aggravation of fuel efficiency. It is clear that if fuel efficiency really needs to be improved, better effects will be obtained by arranging roads and traffic signals to ensure higher cruising speeds or curbing the number of vehicles to match roads.

Does Easy Driving Contribute to Safety? Looking at car brochures, I found to my surprise that the model of a car with which I want to replace my current auto has no manual transmission version. As I have been driving manual transmission cars, I am not confident if I can do delicate driving only with the accelerator pedal. I also feel uneasy about obtaining high output with the operation of only one pedal. Is it irrational to require combined operation?

I increasingly feel these days that only I am left behind by other drivers on a wide road and get stopped by the next traffic light. Is not the spread of automatic transmission cars raising the acceleration speed of a group of cars? Not a few young girls tailgate me in cars with a big power-to-weight ratio so close that I can recognize their faces on my rearview mirror. Some people point out that such cars cannot avoid danger when a car with poor acceleration is running in front. Actually some EVs make me reluctant to make a right turn at a large intersection. But do not cars with good acceleration, especially those which can keep on accelerating straight in a very short time, reach a level of speed the driver cannot handle after avoiding the first danger?

Do Better Limit Characteristics Mean Better Safety? There are cars on the market that improve limit characteristics by complementing the driver's characteristics and controlling the vehicle attitude so as to fully utilize tire characteristics. Is it unnatural to think it strange to be able to ensure stable running even when the vehicle is driven in an excessive manner?

I want to point out here that there still exist "limits" even when safety limits are raised, that those "limits" change dynamically depending on various ambient conditions and that once a vehicle goes over the "limits," it can be in a very serious danger.

It is desirable that there is a move in part of the industry to cope with this danger. The move is to set up a new "safety fence" in the area above the limits, an idea to solve a problem caused by technology with technology.

I expect the industry will come up with another approach. Human characteristics play an important role because the automobile is a system combining the vehicle and the driver. The car should not lead to a situation with which humans cannot cope, and it should have elements that can naturally train the driver to be able to deal with such a situation through everyday operation.

4. Conclusion

Traffic accidents are again a major social problem. One of the objectives of safety research is decreasing accidents. But has not the common wisdom of actual driving changed so sharply as to make traffic rules, which are operational procedures for driving, look irrational? Advanced research on safety is necessary, but at the same time researchers are now required to propose measures that have more direct effects.

SDF Dispatch Approved for Disaster Relief

OW3105140195 Tokyo KYODO in English 1333 GMT 31 May 95

[FBIS Transcribed Text] Tokyo, May 31 KYODO — A Defense Agency panel on Wednesday [31 May] approved the automatic dispatch of Self-Defense Forces (SDF) personnel in the event of natural disasters such as an extremely powerful earthquake, a volcanic eruption or a big tidal wave, agency officials said.

They said the agency panel on disaster relief operations sanctioned the dispatch of SDF personnel for rescue operations in the event of a strong earthquake without a request from a local prefectural governor under a new disaster rescue plan.

The plan provides for a revision of the SDF law that bans the agency from sending SDF personnel for rescue operations without a request from a local governor.

Under the plan, the officials said, SDF rescue personnel would be dispatched automatically if the country were hit by a quake measuring 5 or more on the Japanese intensity scale of 7 or in cases of volcanic eruptions or tidal waves.

But any dispatch of SDF staff will be made in two stages — the first with a view to assessing quake damage and the second for rescue operations.

The plan also calls for closer cooperation between the SDF and local governments in dealing with natural disasters and proposes conducting joint rescue operation drills and sending SDF liaison officers to local governments on a daily basis, they said.

The Defense Agency has come under fire for its delayed dispatch of SDF personnel for rescue operations following the Jan. 17 quake that killed more than 5,500 people in Kobe and its vicinity.

A delayed request by the Hyo[illegible]o governor was cited as another reason.

Article Analyzes New Defense Plan Outline

OW2705013695 Tokyo NIHON KEIZAI SHIMBUN in Japanese 24 May 95 Morning Edition p 2

[Unattributed article: "Defense System Revision Results in Small-Scale Arms Reduction"]

[FBIS Translated Text] The Defense Agency [DA], in its plan for revision of the defense system, revealed the intention to slim down the nation's defense capabilities in view of the reduced military threat of Russia.

According to the plan, the DA is considering downsizing the Ground Self-Defense Forces' 5th Division (at Obihiro) and 11th Division (at Sapporo) in Hokkaido to brigades. The agency can be said to be shifting to the policy of "deploying units equally to all areas of the nation," from the past policy of "attaching importance to the northern region" to deal with Russia's threat in the Cold War.

The plan, however, also seeks to modernize existing equipment in order to cover the shortfalls in defense capabilities that will arise from reducing frontline equipment. The DA wants to modernize fleet escorts, for instance.

The concept of "airborne mobile brigades," which is a key point in the Ground SDF's reorganization, is aimed at gaining the capability to move troops promptly in such contingencies as urban terrorist acts — like the recent sarin subway attack — or the Hanshin earthquake, and, as such, reflects the DA's position of wanting to be ready for crisis situations.

The Defense Issue Consultation Conference, which is a private advisory panel to the prime minister, last August submitted a report proposing the partial reduction of such frontline equipment as fighter planes and antisubmarine vessels. But in the revision plan prepared by the DA, the overall arms reduction sought is small in scale. The Ground SDF's armored divisions, the Maritime SDF's submarine units, and the Air SDF's support fighter units will be retained as they are now, even though frontline interceptor-fighter units be reduced.

In the background of this decision is the fact that situations in areas around Japan — the Korean peninsula, for instance — are still very fluid and that the DA thinks "it is still too risky to go for a bold action of reducing the defense capabilities at this stage" (to quote a senior DA official).

Furthermore, since the U.S. Defense Department, in its "report on East Asian strategy" issued in February this year, revealed that it intends to maintain forces of about 100,000 in Japan and other northeast Asian countries, the DA apparently wants to keep in step with this U.S. policy from the perspective of maintaining the Japan-U.S. security system.

As far as the issue of the new defense capabilities is concerned, it will be discussed formally at the government level by the National Security Council, but a final decision on it is not expected to come until the end of this year when the budget for 1996 will be finalized. With the upper house election forthcoming, it is possible that political situations will bring about change in the framework of the government in the meantime. If that happens, the government's policy on the new defense system can change as well. One must wait and see at what level the nation's future defense capabilities will be set.

North Korea

'One Last Try' To Save Nuclear Talks Reported

BK0206084295 Kuala Lumpur Voice of Malaysia in English 0800 GMT 2 Jun 95

[FBIS Transcribed Text] The United States and North Korea are making one last try today for salvaging their stalled nuclear talks that have dragged on for nearly two weeks in Kuala Lumpur. The U.S. Embassy said the full delegations from both sides arranged to meet at the American Embassy at 2 PM Malaysian time [0600 GMT]. It will be the first plenary meeting of the delegations since Monday. The U.S. held a separate meeting with Japanese and South Korean officials this morning.

Diplomats said the delegations are preparing to leave Kuala Lumpur today if no breakthrough is achieved in the talks which aim to implement an accord on curbing Pyongyang's nuclear development program. The two sides are at an impasse over North Korea's refusal to accept two South Korean nuclear reactors to be built over the next decade. Washington insists that Pyongyang accept the South Korean light-water reactors as part of the $4.5 billion deal signed in Geneva last October. North Korea has demanded made-in-America reactors.

U.S. 'Unjust Insistence' on ROK Reactors Noted

SK0206125295 Pyongyang Korean Central Broadcasting Network in Korean 1100 GMT 2 Jun 95

[FBIS Translated Text] In connection with the question of the supply of light-water reactors, the United States is continuously adhering to its unjust insistence.

The supply of South Korean-style light-water reactors, that the United States is insisting upon, does not stand to reason. This is because the South Korean-style light-water reactors are, in reality, ghost atomic reactors that do not exist in the world.

The so-called South Korean-style light-water reactors are nothing but an empty propaganda which the South Korean puppets abruptly fabricated over night and propagated to the world when the DPRK-U.S. framework agreement was made public in October 1994 and the question of the supply of light-water reactors was brought up.

The Environmental Movement Coalition of South Korea has claimed that there are no real ROK-style [hangukhyong] atomic reactors. (Na Kyong-sok), honorary chairman of the South Korean Engineering Association, has revealed that South Korean-style light-water reactors do not exist, nor can South Korea develop such reactors with today's South Korean technological level. Only with these remarks, can we fully know that the South Korean-style light-water reactors are imaginary ones which do not actually exist.

It is not by chance that the 29 May issue of the MAINICHI SHIMBUN of Japan disclosed: We do not understand what the ROK-style reactors are like. The ROK-style reactors are ROK-style [hanguk] reproductions of the U.S. System (?80).

In this regard, in a word, it is clear to everyone that the South Korean-style light-water reactors are nothing but ones with the South-Korean-style label attached to the U.S. reactors.

The puppets' criminal schemes of trying to poke their noses into, and stand in the way of, the implementation of the agreement will surely face failure.

If it has the will to implement the DPRK-U.S. framework agreement, the United States should no longer adhere to its unjust insistence.

U.S. Insistence on ROK Reactors 'Nonsensical'

SK0206044895 Pyongyang KCNA in English 0434 GMT 2 Jun 95

["Non-Existent 'South Korean Model' LWR" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — The provision of "South Korean model" light water reactors [LWR] insisted on doggedly by the United States regarding the LWR supply issue has no justification.

It is because the "South Korean model" does not exist in the world.

It is no more than a false advertisement the South Korean puppets abruptly invented and spread when the DPRK-U.S. framework agreement was published in October last year, with the LWR supply issue coming up for discussion.

If there is a certain kind of LWR, it is, undoubtedly, based on the technology and design of the U.S., their master.

The reactor core is dependent on the Combustion Engineering Corp., the turbine generator on the General Electric Corp., the design and technology on the Sergent and Landy Corp.

The Japanese MAINICHI SHIMBUN May 29 said "it is difficult to understand what kind of atomic reactor the 'South Korean model' is".

So, it is clear to everybody that the socalled "South Korean model" is the U.S.-made one with label of South Korea.

The insistence on providing the DPRK with such reactors is nonsensical.

The South Korean puppets are, stupidly enough, trying to poke their nose into the implementation of the DPRK-U.S. framework agreement with the supply of the non-existent "South Korean model" LWR, thereby playing a role of brake. But it is a foolish attempt.

The puppets' criminal move to obtrusively interfere in the implementation of the agreement will go busted.

Should the United States have the will to implement the DPRK-U.S. framework agreement, it must stick to its unjustifiable assertion no longer.

Commentary Denounces U.S. 'Mock Korean War'

SK0206045895 Pyongyang KCNA in English
0444 GMT 2 Jun 95

["Unchangeable Attempt To Stifle DPRK by Force of Arms" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — The United States has recently held a computer-controlled mock Korean war involving ultra-modern communications and weapons system at a U.S. Army base in Fort Leavenworth, Kansas, the U.S. paper STARS AND STRIPES May 24 said.

Such a large war gamble vividly proves that the U.S. policy and aggressive attempt to stifle the Democratic People's Republic of Korea by force of arms still remains unchanged and that the U.S. may ignite another war on the Korean peninsula any time, says NODONG SINMUN in a signed commentary today.

The paper says:

The United States is raising a hue and cry about "a surprise attack" by the DPRK. This is a deceptive propaganda to justify its war manoeuvrings, which are now becoming all the more undisguised in South Korea.

The Korean people, ever exposed to the danger of a war by the United States, hold peace dearer than anyone else. We declared more than once that to ensure a lasting peace on the Korean peninsula is the invariable stand of our republic.

The point depends on the United States.

The United States does not want peace on the Korean peninsula. Its ulterior intention is to aggravate the tension and military confrontation in the Korean peninsula and eventially run into a war adventure to stifle the DPRK.

The situation prevailing in the Korean peninsula requires immediate establishment of a peace mechanism. The United States is turning its back on our proposal because it attempts only to ignite a war.

Military option does not work on us. We are not afraid of any anti-DPRK military action, but are ready to smash it decisively.

The United States should give up its anachronistic attempt to invade the DPRK and stop the anti-DPRK war gamble.

Senior Officials Criticize ROK Ban of Festival

SK0206101895 Pyongyang KCNA in English
1008 GMT 2 Jun 95

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — Senior officials of public organisations of Korea accused the Kim Yong-sam group of viciously trying to block the grand national reunification festival celebrating the 50th anniversary of national liberation.

Statements were issued on June 1 by Paek In-chun, chairman of the C.C. [Central Committee], the General Federation of the Unions of Literature and Art of Korea; Kim Chol-myong, chairman of the C.C., the Korean Journalists Union; and Kang Tae-mu, director of the secretariat of the consultative council of former South Korean politicians in the North for the promotion of peaceful reunification.

They warned that if the Kim Yong-sam group put a spoke in the wheel of the grand reunification festival, ignoring the stern warnings of the North, they will come to a miserable end, rejected by the entire fellow countrymen including the South Koreans who earnestly wish reunification.

Paek In-chun said:

Although the Kim Yong-sam group are trying to block the joint celebrations at Panmunjom on the pretext of "personal safety" and "political abuse," it is a poor excuse to justify their crime.

It is clear that as long as the Kim Yong-sam group remain in power, neither North-South reconciliation nor national unity and reunification can be expected. The men of culture and intellectuals in South Korea must not remain an onlooker to the anti-national crimes of the Kim Yong-sam group but courageously join the workers, peasants and youth and students in the anti-Kim Yong-sam struggle.

Kim Chol-myong said:

The August 15 grand national reunification festival is a square of national reconciliation and unity, the first of its kind in the history of our nation's movement for reunification, and a historic turning point to make a breakthrough for reunification.

Kim Chol-myong called on the journalists and men of the press of South Korea to contribute to national unity and reunification as trumpeters who indict the anti-reunification crimes of the puppet clique and arouse the people to the anti-Kim Yong-sam struggle.

Kang Tae-mu said:

The South Korean puppet clique must clearly see the strong trend of the fellow countrymen toward the grand reunification festival at Panmunjom and immediately stop hindering them. We will resolutely fight to decisively smash the Kim Yong-sam group's obstructions and successfully hold the festival.

Chongnyon Denounces ROK for Blocking Festival

SK0206115395 Pyongyang KCNA in English
1028 GMT 2 Jun 95

[FBIS Transcribed Text] Tokyo, May 31 (KNS-KCNA) — The Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon) published a statement on May 30 urging the Kim Yong-sam group to renounce its absurd schemings at once to block the August 15 grand national reunification festival.

The statement said that the Kim Yong-sam clique is trying to check the grand reunification festival common to the nation at any cost, under the pretext of "safety of participants" and "political use", which are nothing but a sophism to cover up its anti-dialogue, anti-reunification color.

They must clearly know that the more they commit anti-reunification, anti-dialogue crimes, the further it will precipitate their doom, it said, and urged them to abrogate the "National Security Law", an anti-reunification fascist law.

Korean residents in Japan who have ardently longed for reunification of the homeland are making every possible effort for a successful opening of the grand national reunification festival, the statement noted, and stressed:

The entire Chongnyon officials and compatriots will more vigorously struggle, united as one with all the fellow countrymen at home and abroad, to successfully hold the grand reunification festival and reunify the country early in the 90s.

Article in ROK Urges Overthrow of Government

SK0206102395 Pyongyang KCNA in English
1011 GMT 2 Jun 95

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — Yang Yon-su, chairman of the national federation of the poor in South Korea, published an article calling for the overthrow of the present "government."

The article was carried by the South Korean newspaper CHONGUK NODONGJA SINMUN.

The article said in part:

In South Korea only the plutocrats are getting fat and going on a racket. The workers are oppressed under the power of a handful of capitalists. This gives rise to indignation.

A chain of suicide cases occur in demand of the right to existence under the present "government." How can this "government" be called "civilian government"?

The article called on the South Korean workers to rise up in struggle to overthrow the "government" which serves only a handful of plutocrats and bureaucrats.

Kim Yong-sam Group Said Blocking Chuche Study

SK0206051195 Pyongyang KCNA in English
0439 GMT 2 Jun 95

["Sword-Brandishing of Traitor Forsaken by Times" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — The Kim Yong-sam group, upset by the dissemination and study of the immortal chuche idea among the people from all walks of life in South Korea, is running wild to block it. Commenting on this, NODONG SINMUN today says:

The Kim Yong-sam group arrested two soldiers of the puppet army and graduates of Wonkwang University by invoking the "National Security Law" for a mere reason that they joined the "ranks of independence", an ideological circle, in early 1993 while at the university and studied "With the Century", reminiscences of the great leader President Kim Il-song, and books related to the chuche idea.

The news analyst goes on: The Kim Yong-sam group is suppressing the advocates of the chuche idea and the patriotic democratic forces, clafor the defence of the "liberal democratic system". This is a wanton challenge to the South Korean people ring after independence, democracy and reunification and an unpardonable provocation against us, the fellow courn.

The Kim Yong-sam group, forsaken by the times and the nation and driven out of the trend of history, is trying to stop the immortal chuche idea and the brilliant reality of the northern half of the country from influencing South Korea and bind the South Korean people with the fetters of colonial fascist repression so as to maintain and extend the "civilian" fascist rule on the verge of collapse. But it is a foolish last-ditch effort.

Following and advocating the chuche idea, the trend of the times and the desire of the nation, can neither be blocked at the point of the bayonet nor be bound by iron chains.

The puppets must squarely see the reality, stop their smear fascist repression at once and set free the unreasonably arrested soldiers of the puppet army and students without delay.

Premier Sends Condolences to Russian Counterpart

SK0106225095 Pyongyang KCNA in English 1512 GMT 1 Jun 95

[FBIS Transcribed Text] Pyongyang, June 1 (KCNA) — Premier of the Administration Council Kang Song-san sent a message of sympathy to Prime Minister of the Government of the Russian Federation Viktor Chernomyrdin.

Upon hearing the unexpected news that a big loss of lives and economic damages were caused by the earthquake in the northern area of Sakhalin, Russia, he in the message expressed deep sympathy and consolation to the bereaved families of the deceased and people in the afflicted area.

He sincerely hoped that the Russian Government and people would soon recover the quake damages.

Ambassador to Cambodia Meets With King Sihanouk

SK0206095995 Pyongyang Korean Central Broadcasting Network in Korean 2200 GMT 1 Jun 95

[FBIS Translated Text] On 30 May, Song Ho-kyong, newly appointed ambassador extraordinary and plenipotentiary, presented credentials to King Norodom Sihanouk of the Kingdom of Cambodia.

During the meeting, the ambassador conveyed greetings and a gift from the great leader Comrade Kim Chong-il to King Norodom Sihanouk. Expressing a deep appreciation for them, the king asked the ambassador to convey his warm greetings wishing a long life and good health to the great leader Comrade Kim Chong-il.

The king spoke as follows: I, my wife, the Government of the Kingdom of Cambodia, and all the Cambodian people warmly respect the great Marshal His Excellency Kim Il-song, the great leader. Along with His Excellency Marshal Kim Chong-il, who is the great supreme leader, the great Marshal His Excellency Kim Il-song, the great leader, gained an immortal achievement by developing the glorious DPRK into the only paradise throughout the world, as well as into the powerful state where all areas are extraordinarily developed with his outstanding and refined leadership, as well as with the brilliant rays of independence and chuche idea.

Truly, the respected and beloved, and great Marshal His Excellency Kim Il-song, whom I most admired, was the great and outstanding man and peerless hero, whom the Korean people greeted and upheld for the first time in its history of several thousands years. The great Marshal His Excellency Kim Il-song lives forever in our hearts.

Along with the heroic Korean people, our Cambodian people express the absolute admiration for and trust in His Excellency Marshal Kim Chong-il, the great hero and outstanding supreme leader, who is another leader equal to the great Marshal His Excellency Kim Il-song, the great leader.

Like the great Marshal His Excellency Kim Il-song, the great leader, His Excellency Marshal Kim Chong-il, the supreme leader, is building the DPRK as the chuche socialist paradise with his genius-like wisdom and outstanding leadership. The great leader and great Marshal His Excellency Kim Il-song has never departed from us. He lives forever in our hearts as the eternal father.

The great leader and great Marshal His Excellency Kim Il-song gave us a great consideration during his lifetime and treated me and my wife like his own brother and sister. All the historic facts clearly prove that the great leader and great Marshal His Excellency Kim Il-song lives forever with the great leader His Excellency Marshal Kim Chong-Il and all the Korean people.

We wish the Korean people success in their struggle for the socialist construction in Korea and for the completion of the chuche cause. We will only recognize the DPRK, the only representative of the whole Korean people, never recognizing the Seoul government in South Korea. This is the firm and solid position of myself, the Government of the Kingdom of Cambodia, and the people. We will make all efforts to constantly strengthen and develop the friendship, unity, and cooperation between the two governments and peoples of the two countries, Cambodia and Korea.

We sincerely wish the great supreme leader His Excellency Marshal Kim Chong-il a long life and good health, as well as a precious and great success in his work to achieve the prosperity and reunification of the fatherland, the people, and the country.

Meeting on Pyongyang Declaration Held in London

SK0206112195 Pyongyang KCNA in English 1020 GMT 2 Jun 95

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — A meeting for invigorating international solidarity on the basis of the Pyongyang Declaration was held in London on May 25 under the sponsorship of the new Communist Party of Great Britain.

The participants in the meeting paid a silent tribute to the memory of the great leader President Kim Il-song.

Keith Bennett, political editor of ASIAN TIMES, noted in his keynote report that the Pyongyang Declaration was a historic document of significance for communist parties as well as all other political parties and progressive peoples aspiring after socialism.

Speaking at the meeting, a representative of the Britannic Communist Party said now the world's reactionary forces are making desperate efforts to prevent the revival of socialism, noting the world's revolutionary political parties should get united with each other to smash the challenges of the imperialists.

The chief of the British group for the study of the chuche idea, Dernot Hudson, said the number of political parties that signed the declaration in the past three years since its publication reached 221. It fully demonstrates the validity and universal significance of the declaration, he said, stressing he is sure that the cause of socialism will emerge victorious without fail under the wise leadership of Comrade Kim Chong-il.

General Secretary of the C.C. [Central Committee], the new Communist Party of Great Britain Eric Trevett in his speech said the cause of socialism is facing vicious challenge of the reactionaries the world over, but it is advancing victoriously under the banner of the Pyongyang Declaration. He called upon revolutionary parties all over the world to get firmly united under the banner of the Pyongyang declaration.

A letter to the great leader Comrade Kim Chong-il was adopted at the meeting.

Mongolian Delegates Deliver Gift to Kim Chong-il

SK0106224895 Pyongyang KCNA in English 1511 GMT 1 Jun 95

[FBIS Transcribed Text] Pyongyang, June 1 (KCNA) — The great leader Comrade Kim Chong-il received a gift from the head of the visiting delegation of the Mongolian People's Revolutionary Party.

It was handed to Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea, by head of the delegation N. Sendenzhav [name as received], member of the secretariat of the Mongolian People's Revolutionary Party and economic councillor of the leadership council of the party.

Togo Adopts Appeal on Reunification of Korea

SK0106224695 Pyongyang KCNA in English 1509 GMT 1 Jun 95

[FBIS Transcribed Text] Pyongyang, June 1 (KCNA) — The National Assembly of the Republic of Togo adopted an appeal, after discussing the issue of support to Korea's reunification and demand for the demolition of the concrete wall as an agenda item.

The appeal branded the concrete wall as a political and military barrier against contact, exchange, reconciliation and unity between the North and South of Korea and a physical barrier which denies the homogeneity of the Korean nation, opposes reunification and hinders confidence building of the fraternal Korean people.

The National Assembly of the Republic of Togo calls on the international community and all people of the world who love peace and freedom to take joint action for the demolition of the concrete wall bisecting Korea and for the peaceful reunification of Korea, the appeal said.

Radio, Television on Rice Transplanting 'Success'

SK0206104595

[FBIS Editorial Report] The following is a compilation of DPRK radio and television reports noting the success of the rice transplanting season. It has been observed that DPRK media have been carrying such reports since 13 May.

Pyongyang Korean Central Television Network in Korean at 1100 GMT on 13 May carries a one-minute report on rice transplanting on Saena cooperative farm in Sinchon County. The report says: "The agricultural working people of Saena cooperative farm in Sinchon County, in which dwell the immortal leadership relics of the fatherly leader and the great leader Comrade Kim Chong-il, have been registering success as soon as they began rice transplanting to add luster to this significant year with a bumper crop by thoroughly implementing the party Central Committee slogans." The report adds: "The farm members made efficient preparations for rice transplanting, including the maintenance of the rice-transplanting machine, and overfulfilled the first-day target by 20 percent."

The report is followed by a one-minute report each on rice transplanting for Wonha cooperative farm in Pyongwon County and Yuso cooperative farm in Nangnagn District, Pyongyang.

Pyongyang Korean Central Broadcasting Network in Korean at 2100 GMT on 13 May carries a three-minute report on rice transplanting beginning in the DPRK. The report says: "The socialist cooperative farms across the country began bumper-crop rice transplanting this year with a high revolutionary resolve to add luster to the 50th anniversary of the party founding with a bumper crop." The report cites a remark by Kim Yong-in, head of a department of the Agricultural Committee, who says: "The battle of bumper-crop rice transplanting has begun in rural areas across the country. Rice transplanting is a very important farming process in rice farming, which has a great share in the production of grain for the country. Rice transplanting determines the success of farming each year. This year is the first year to implement the pledge we made to the spirit of the fatherly leader. The agricultural working people across the country have begun the rice transplanting battle with high ideological determination and an extraordinary resolve to do the farming this year better than in any other year. The functionaries of the rural economic sector in South Hwanghae Province and the agricultural working people in Yonbaek plain, Chaeryong plain, and Ongjin plain are concentrating all their efforts on rice transplanting with the heartfelt wish to uphold the leadership of the great leader Comrade Kim Chong-il by increasing the production of grain."

Pyongyang Korean Central Television Network in Korean at 1100 GMT on 31 May 95 carries one to two minute reports on cooperative farms accelerating rice transplanting. The report says: "The agricultural working people and volunteers across the country, who braced themselves up with high resolve to add luster to this significant year with a bumper crop upholding the party Central Committee slogans on the 50th anniversary of the party founding, are accelerating rice transplanting. The agricultural working people of Kumdae cooperative farm in Nangnang District are scoring gains in transplanting. The functionaries of the farm, who are well aware that one of the important ways to increase the production of grain is to complete rice planting well in a most timely manner, are conducting organizational work effectively, ensuring that harrowing paddies are done well before rice transplanting and that well-grown rice seedlings are transplanted without stopping. They are also conducting vigorous economic agitation work going to the paddies with a mobile propaganda vehicle, thus further encouraging the heightened enthusiasm of the farm members. The operators of the rice transplanting machine and rice seedling suppliers are thoroughly sticking to the chuche agricultural method as to the number of implants of rice seedlings per pyong and the number of blades per implant, with a higher sense of responsibility and role cherishing in their hearts the slogan 'The cultivated fields of the farm are my cultivated fields.'" The report cites Pyongi cooperative farm in Sunchon, Songhwa cooperative farm in Unjon County, Poktal cooperative farm in Chongdan County, the cooperative farm where Kim Yong-hwan works, Hudu cooperative farm in Yonggwang County, Hyangha cooperative farm in Changgang County, Sinhung cooperative farm in Port District of Nampo, and Samjin cooperative farm in Kangso District.

Pyongyang Korean Central Broadcasting Network in Korean at 1200 GMT on 31 May carries a one-minute report on the acceleration of rice transplanting. The report says: "The cooperative farms in South Hwanghae Province are further accelerating rice transplanting," and notes: "The attainment of rice transplanting against the total target as of 28 May is 69 percent for Paechon County, 58 percent for Unchon County, 57 percent for Sinchon County, and 55 percent each for Yonan County and Chaeryong County." The report is followed by a report on the acceleration of rice transplanting on cooperative farms in Wonsan, Kangwon Province.

Pyongyang Korean Central Broadcasting Network in Korean at 1200 GMT on 1 June carries a one-minute report which begins: "The functionaries of the rural economic sector, agricultural working people, the three revolutions team members, and volunteers in Pyongsong are transplanting rice in 8 to 9 percent of the total area of paddies daily these days. The functionaries and combatants of Chongok, Wolpo, and Ponghak cooperative farms are continuously expanding the success of rice transplanting daily these days, setting up meticulous daily targets of rice transplanting by cultivated fields and concentrating labor and mechanical means on it." The report is followed by short reports on acceleration of rice transplanting in Unpa County, Panmun County, and Orang County of North Hamgyong Province.

Pyongyang Korean Central Broadcasting Network in Korean at 2100 GMT on 1 June carries an under-a-minute report noting: "The agricultural working people in Tosan County, North Hwanghae Province are carrying out rice transplanting in 7 to 9 percent of the total area daily these days. Suap cooperative farm, which is devoting itself to rice transplanting to add luster to this significant year with a bumper crop, has carried out rice transplanting in over 70 percent of the total area, the functionaries actively involving themselves in it." The report adds: "The cooperative farms in the county are waging a vigorous battle to complete rice transplanting in a few days." The report is followed by a report on the acceleration of rice transplanting in the cooperative farms in Tongchon County.

Rural Communities Finish Corn Planting

SK0206115595 Pyongyang KCNA in English 1030 GMT 2 Jun 95

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — Maize planting has come to an end in rural communities throughout the country.

Rice and maize are main crops in Korea.

The state directs great efforts to farming of maize which is a high-yield crop.

The working people in agriculture planted maize in all dry fields except tablelands in the northern part of the country and some of seed plots as of May 31, by finishing the humus-potted maize-seedling transplanting in a short period to have a bumper harvest of maize this year, too.

The first weeding has been concluded by many farms in South Hwanghae Province, South Pyongan Province and Nampo municipality in which the planting of maize was ended more than a week earlier than the plan.

Foreign Media Report on Kim Chong-il's Letter

SK0206052395 Pyongyang KCNA in English 0420 GMT 2 Jun 95

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — Foreign news media reported "on developing the movement of Koreans in Japan onto a new higher stage," a letter of the great leader Comrade Kim Chong-il to the General Association of Korean Residents in Japan (Chongnyon) and Koreans in Japan on the occasion of the 40th anniversary of the formation of Chongnyon.

Radio Uganda quoted His Excellency Kim Chong-il as saying in the letter that during the 40 years since it was formed by His Excellency the great leader Kim Il-song, Chongnyon has exalted its dignity and honour as an organisation of overseas compatriots of chuche Korea and championed the national rights and interests of Koreans in Japan and contributed to the prosperity and development of its homeland and to the cause of national reunification.

The radio elaborated on the tasks set out in the letter, adding that His Excellency the great leader Kim Chong-il provided the people of the world with an encyclopedic guideline in the movement of overseas nationals in the world.

The main idea of the letter was also reported by the Cuban paper GRANMA, radio Reloj of Cuba, Voice of Russia, the PTI and UNI and central radio of India and the Japanese papers NIHON KEIZAI SHIMBUN and SANKEI SHIMBUN.

Russian Paper on Kim Chong-il Benevolent Politics

SK0206102795 Pyongyang KCNA in English 1015 GMT 2 Jun 95

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — The Russian paper PATRIOT NO. 21 carried an article on the advantages of the benevolent politics of the great leader Comrade Kim Chong-il.

The article titled "Love and Trust, Key to Success" said:

Comrade Kim Chong-il, an outstanding thinker and theoretician and great statesman, is pursuing wonderful politics suited to man-centred socialist society.

Benevolent politics based on love and trust is a mode of politics peculiar to the Democratic People's Republic of Korea.

This kind of politics respects people, benefits them all, guides the socio-political integrity of all people in a responsible manner and approaches them without discrimination.

Comrade Kim Chong-il's benevolent politics is a very scientific and powerful politics which firmly guarantees the development of socialist society.

His politics based on love and trust is the most popular politics without precedent in human history of politics.

Benevolent politics is in force in Korea under the outstanding and tested leadership of Comrade Kim Chong-il.

Comrade Kim Chong-il shapes all policies on the basis of love for and trust in the popular masses and carries them through in reliance on their strength.

The people feel grateful for the leader's benevolent politics and actively strive to sincerely uphold him.

This is the secret to the victorious advance of Korean-style socialism.

Kim Chong-il Thanks People for Army-People Unity

SK0206052495 Pyongyang KCNA in English 0424 GMT 2 Jun 95

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — The great leader Comrade Kim Chong-il extended thanks to those who had distinguished themselves in assisting the People's Army and giving medical service to soldiers. Among them are officials of the Pyongyang General Stockbreeding Bureau, employees of the Pyongyang Artistes' Hotel, farmers of the Sangpyong cooperative farm in Kim Chaek, North Hamgyong Province, medical workers of the Chasong County People's Hospital in Chagang Province and teachers and students of the Central Physical Training College.

He also sent thanks to soldiers of the Han Yongtaek unit of the Korean Border Garrison Army who had given material assistance to schools and to twelve demobilized soldiers of the Kim Sang-son unit of the Korean People's Army who volunteered to work in the socialist countryside.

Meetings were held at relevant units to convey thanks, at which speakers expressed their determination to further display the traditional traits of the army-people unity and make an active contribution to strengthening the socialist countryside true to the behests of the great leader President Kim Il-song.

Kim Chong-il Thanks Soldiers of Border Command

SK0206143895 Pyongyang Korean Central Broadcasting Network in Korean 2100 GMT 1 Jun 95

[FBIS Translated Text] The great leader [yongdoja] of our party and our people Comrade Kim Chong-il, the supreme commander of the Korean People's Army [KPA], has sent his thanks to the soldiers of the unit of the Korean Border Garrison Command — to which Comrade (Han Yong-taek) belongs — who have given material support to schools; and to 12 soldiers discharged from the KPA unit — to which Comrade (Kim Sang-son) belongs — who are going as a group to the socialist rural areas.

The soldiers of the unit, to which Comrade (Han Yong-taek) belongs, have sent a large amount of school supplies, which they have prepared by taking advantage of their spare time that they have found in the process of fulfilling their military duties, to various schools located in the vicinity of their station, thereby making contributions to fostering students as the reserves of the revolution, who are well prepared mentally, morally, and physically.

The 12 discharged soldiers, including officer (Kim Kyong-chol) who belongs to the unit of Comrade (Kim Sang-son), have made the determination to settle down eternally in the socialist rural areas, not in their hometowns; and have gone as a group to the (Kaung) cooperative farm in (?Hoechang) County which is strewn with the historic relics of the fatherly leader's leadership.

The meetings to convey the thanks from the respected and beloved Supreme Commander Comrade Kim Chong-il were held on the spot. The meetings were attended by general-grade officers, other officers, and soldiers.

At the meetings, the thanks from the respected and beloved Supreme Commander Comrade Kim Chong-il were delivered in the midst of the warm applause of the participants of the meetings.

Discussions on making determinations followed.

Letters of pledge addressed to the great leader of our party and our people Comrade Kim Chong-il, the supreme commander of the KPA, were adopted at the meetings.

Kim Chong-il's Light Industry Policy Lauded

SK0206115795 Pyongyang KCNA in English 1037 GMT 2 Jun 95

["Highly Important Guideline To Carry Through Light Industry-First Policy"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — NODONG SINMUN today carries an article by Kang Sun-hui, vice-chairperson of the State Light Industry Commission, on the occasion of the fifth anniversary of the publication of the great leader Comrade Kim Chong-il's famous work "On Thoroughly Carrying Out the Revolution in Light Industry" (June 2, 1990.)

The article says the work is a highly important guideline to radically increase the production of mass consumer goods so as to put the Korean people's material and cultural life on a high level and a militant banner that powerfully encourages officials and working people serving light industry and all other people across the country to implement the light industry revolution policy advanced by the party.

The article further says:

The work gives a comprehensive exposition of questions of principle to carry through revolution in light industry ranging from the essence and significance of revolution in light industry to ways of increasing mass consumer goods, hastening the modernisation of light industry and enhancing the role of party organisations.

The validity and truth of Comrade Kim Chong-il's work have fully been proved in the practice of the Korean revolution, the article says, and continues:

Over the past five years since the publication of the work many light industrial factories have been streamlined and built to sharply increase production capacity and scientific research work in light industry has been accelerated powerfully.

More good-quality mass consumer goods have been turned out.

As a result, we came to have multilaterally developed powerful light industry equipped with modern technology which is dependent on the raw materials and resources rich in the country and have been able to implement all popular policies of the party and the state to the full.

Today the Korean people are leading a worthwhile life with no worries under great loving care of the party and the state. They enjoy such benefits as free education, free medical care and recuperation at sanatoria and rest homes at the state expense. School uniforms, school things, children's clothes and nutritious foodstuffs are supplied at low prices with a great financial support by the state.

UN Children's Fund Accord Anniversary Marked

Chang Chol Meets UN Delegation

SK0106225295 Pyongyang KCNA in English 1514 GMT 1 Jun 95

[FBIS Transcribed Text] Pyongyang, June 1 (KCNA) — Chang Chol, vice-premier and minister of culture and art, met and had a friendly conversation with the delegation of the U.N. Children's Fund led by Anthony J. Hewett at Mansudae Assembly Hall on June 1.

Choe Chang-sik, vice-minister of Public Health, was on hand.

Party Commemorates Relations

SK0206053095 Pyongyang KCNA in English 0429 GMT 2 Jun 95

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — A party was given on June 1 to mark the tenth anniversary of the signing of an agreement on cooperation between the DPRK and the UN Children's Fund.

Invited to the party was the visiting delegation of the UN Children's Fund.

Present at the party were Choe Su-hon, vice-minister of foreign affairs and chairman of the DPRK coordination committee of the UN Children's Fund; No Tu-chol, vice-chairman of the State Planning Commission; Choe Chang-sik, vice-minister of public health; Ham Un-kon, vice-chairman of the C.C. [Central Committee], the League of Socialist Working Youth of Korea; and officials concerned.

Speeches were made at the party.

Painting Show Marks Anniversary

SK0206052895 Pyongyang KCNA in English 0427 GMT 2 Jun 95

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — A children's painting show was held at the Mangyongdae School Children's Palace in Pyongyang on June 1 to mark the tenth anniversary of the signing of an agreement on cooperation between the DPRK and the UN Children's Fund.

Exhibited were more than 100 paintings presented by circle members of the school children's palaces and halls throughout the country. They reflect the happiness of the Korean children and the desire of the children on five continents for a peaceful new world.

The show was seen by Choe Su-hon, vice-minister of Foreign Affairs and chairman of the DPRK coordination committee of the UN Children's Fund; Ham Un-kon, vice-chairman of the C.C. [Central Committee], the League of Socialist Working Youth of Korea; officials concerned and the visiting delegation of the UN Children's Fund.

They also appreciated a performance given by art circle members of the palace.

Anniversary of Law on Raising Children Marked

SK0106224295 Pyongyang KCNA in English 1506 GMT 1 Jun 95

[FBIS Transcribed Text] Pyongyang, June 1 (KCNA) — Today is the 19th anniversary of the enforcement of "The Law of the Democratic People's Republic of Korea on the Nursing and Upbringing of Children" established by the great leader President Kim Il-song.

With this law in effect the system of upbringing the children at state and social expense has been further cemented in Korea.

At present there are more than 60,000 nurseries and kindergartens in the country, at which 3,500,000 children are growing happily with nothing wanted, at state and social expense.

The state appropriates a large sum of fund for nurseries and kindergartens and society actively supports them.

Special care and solicitude are shown for the health of children.

In Korea under a complete and universal free medical care every baby is under the care of a doctor at birth and gets the first preventive injection three days after birth.

A dispensary of each nursery and kindergarten regularly checks up children's health.

Established in the country is an orderly system of medical service for the children from dispensaries at nurseries and kindergartens to children's wards and hospitals.

All the best things in the DPRK are directed preferentially to children.

The children are provided with confectionery of good quality, eggs, meat, milk and other food of high nutritive value produced at cornstarch factories, chicken plants and milk cow farms across the country.

Clothes, shoes, school things, toys and etc. are supplied at a very low price next to zero.

There are children's department stores and children's parks equipped with modern recreation facilities in different places of Korea.

Children's garment factories, children's bicycle factories, children's foodstuff factories and other factories and shops are specialized for nurseries and kindergarteners.

Last year a modern scientific research centre called the Institute of Nutrition for Children was built in a beautiful eastern part of the capital city of Pyongyang.

The state spares nothing to publish many books of different kinds and produce films needed for the emotion and intelligence of children.

Under the boundless loving care and solicitude of the party and the state the Korean children are enjoying happiness and cultivating their talents to the full.

Background of Traditional National Holiday Viewed

SK0206111895 Pyongyang KCNA in English 1024 GMT 2 Jun 95

[FBIS Transcribed Text] Pyongyang, June 2 (KCNA) — The second of June is the May festival (the fifth day of the fifth lunar month).

The May festival is a holiday set by Korean ancestors in an old time, in order to recover, after spring sowing including the rice-transplanting, from fatigues before starting weeding.

According to a record, the people, on the day, made rice cake with newly-sprouting synurus palmato-pinnatifolia or wormwood as a special diet and enjoyed themselves, playing such amusements and games as Korean wrestling and swinging.

Korean wrestling and swinging were very popular in the area of Pyongyang.

Wrestling sites were arranged at the foot of the scenic Moran and Changgwang hills in Pyongyang, with swings hung near them. Many of people gathered there to demonstrate their strength and talents.

An ox was awarded to a wrestling winner and cloth or household necessaries to a woman who won swinging.

They enjoyed the evening with masquerade and puppet-show.

The Korean people spent the May festival with such colourful folk games, building up their physical strength, hoping for a bumper crop that year and promoting intimacy with each other.

The May festival full of national sentiments is still enjoyed by the Korean people.

South Korea

U.S.-DPRK 'Semi-High-Level Talks' Viewed

SK0206060595 Seoul HANGUK ILBO in Korean 2 Jun 95 p 1

[Report from Kuala Lumpur by Ko Tae-song]

[FBIS Translated Text] North Korea agreed to accept the manufacture of light-water reactors inside the ROK and the ROK's central role in the manufacture, construction, but not design of the light-water reactors at the Kuala Lumpur semi-high-level talks with the United States on 1 June.

North Korea and the United States reportedly started the work for the basic documentation of the above points of agreement at working-level talks held at the U.S. Embassy on this day. In addition, the two sides narrowed differences on the organization of the contract under which the Korean Peninsula Energy Development Organization [KEDO] becomes an order-placing party and signs the reactor supply contract with North Korea and a U.S. company takes complete charge of supervising the project and plays the role of contacting North Korea.

Along with this, North Korea and the United States are reportedly seeking a compromise on terming the label of reactors as "the light-water reactors to be provided by the KEDO," on the condition that in-depth discussions will be held on the labeling of the light-water reactors.

North Korea and the United States, however, were divided on the selection of "the reference model" for the light-water reactors, and clashed over the selection of an ROK firm as the prime contractor and its central role in the designing of the reactor.

A diplomatic source well-informed in the talks said "While it is true that the two sides are laying the groundwork for a final settlement, it is too early to predict a settlement."

Agree 'in Principle' on KEDO Role

SK0206084695 Seoul YONHAP in English 0841 GMT 2 Jun 95

[FBIS Transcribed Text] Kuala Lumpur, June 2 (YONHAP) — Working-level officials from the United States and North Korea met Friday afternoon for the 11th-day of nuclear talks here in an attempt to hammer out solutions to the stalled light-water reactor contract.

Friday's talks centered on the type of light-water nuclear reactors that will be supply to North Korea under the Geneva nuclear agreement signed between the two countries last October and who the main contractor for the light-water reactor project in the North will be, according to informed sources here.

During the talks held at the American Embassy in Kuala Lumpur, the two sides clarified issues agreed on thus far and put them on paper while trying to narrow differences over South Korea's central role in the reactor project including who will design the reactors, they said.

The two sides agreed in principle that the Korean Peninsula Energy Development Organization (KEDO) will become the party to place an order for the reactors and that KEDO will reserve the right to designate the principle contractor for the reactor project, they said.

The two sides also agreed that the brand of the reactors to be provided to the North will not be titled "Korean standard nuclear power plant" but will instead be called "the type provided by KEDO" in consideration of the resistance to the Korean brand on the part of the North, the sources said.

North Korea and United States, however, failed to narrow gaps over who will design the reactors, the sources said. The North wants a U.S. firm to design the reactors while the United States is still insisting that South Korea design them.

Officials from South Korea, the United States and Japan meanwhile met at the American Embassy here in the morning to work out strategies for the U.S.-North Korea nuclear talks to be held later Friday afternoon.

The three-way talks reaffirmed that South Korea should play a central role in the reactor project in North Korea and that the three countries will take some flexible measures only after the North accepts Korean-made reactors and South Korea's central role in the reactor project, according to the sources.

"Although the North seemed to use expressions which are considered to imply acceptance of South Korean-made reactors and South Korea's central role in the reactor project during the working-level talks held Thursday, they fell short of presenting any concrete positions on the issues," a source said.

"The first priority of the talks will be grasping the real intentions of the North," he said.

"We will not lose this opportunity by taking aggressive actions in case the North accepts the principles the three countries have presented (meaning the North accepting South Korean reactors and South Korea's central role in the reactor project)," he added.

'Secret Appointment' of MAC Delegate Alleged

SK0206034695 Seoul CHOSON ILBO in Korean 2 Jun 95 p 1

[By reporter Kyong Yong-won]

[FBIS Translated Text] It was confirmed belatedly that in early January, Gary Luck, commander of the U.S. Forces Korea, increased the number of the U.S. side's Military Armistice Commission [MAC] delegates from one to two persons, and even after this secret appointment, did not even notify the ROK side of this for four months.

A knowledgeable source of the UN Forces Command said on 1 June: "It was recently confirmed through documents that Commander Luck simultaneously presented credentials to Major General Smith, assistant chief of staff of planning and management of the ROK-U.S. Combined Forces Command, and Rear Admiral Watkins on 16 January."

This source also revealed: "The UN Forces Command side did not notify our government at all. This is thought to be in preparation for the replacement of chief delegate Major General Hwang Won-tak when his term ends in August, with a U.S. Forces general." The North Korean side has refused to participate in meetings and demanded direct contacts between the generals of the United States and North Korea. And at the U.S. side's request, discussions were held between the ROK and the United States on once again replacing the chief UN Forces delegate with a U.S. general.

In this connection, an official of the UN Forces Command revealed: "Such measures by the UN Forces Command is for the U.S. side to station more preliminary personnel. There appears to be no other significance."

UN, ROK Reportedly Consulted

*SK0206090695 Seoul YONHAP in English
0849 GMT 2 Jun 95*

[FBIS Transcribed Text] Seoul, June 2 (YONHAP)—Gen. Gary Luck, commander of the U.S. Forces Korea (USFK), reappointed Rear Adm. Edison L. Watkins to the UNCMAC (United Nations Command Military Armistice Commission) on Jan. 16, 1995, the USFK Public Affairs Office [PAO] confirmed Friday.

Watkins replaced Maj. Gen. Ray Smith, who had been a UNCMAC member since December 21, 1994.

The PAO statement also explained that in line with the procedures under the MAC, the credentials of Watkins were prepared for the KPA/ CPVMAC (North Korean Peoples Army/Chinese People's Volunteer) but not submitted.

The KPA/CVPMAC team has not accepted UNCMAC credentials since March 1994, and the North Koreans have withdrawn their MAC delegation as well, the statement noted.

Under the UNC chief of staff's directions, Maj. Gen. Smith's credentials were also prepared, and are being held on "stand-by," if ever a need for a substitute for Watkins arises.

Currently the UNCMAC is led by Maj. Gen. Hwang Won-tak of the Korean Army. Hwang is the first Korean to serve as the UNCMAC senior member, sparking the North Koreans to denounce the 1953 pact.

Friday morning's edition of the CHOSUN ILBO carried an article on the position change. However, the vernacular newspaper stated that the UNC has not yet informed the Korean Government of the appointment and that the decision was made in secret to "pave the way" to replace Gen. Hwang with an American leader.

Hwang's term expires in August, the CHOSUN ILBO said.

The paper also claimed that the UNC appointed both Smith and Watkins to concurrently serve as members of the UNCMAC.

However, the UNC statement alleged, several aspects of the vernacular's story are incorrect.

The PAO stated there were never two U.S. members serving simultaneously on the UNCMAC, nor was Maj. Gen. Ray Smith discreetly assigned, without the Korean Government's knowledge, to the MAC as a "preliminary move" to replace Gen. Hwang.

PAO spokesman Jim Coles remarked that the appointment was "done in close consultation" between the UNC and related Korean Government officials.

The spokesman also affirmed that a date for the new appointment for the post of MAC senior member is Gen. Luck's decision, and any specific date is mere speculation.

There are five members to the UNC component of the MAC. Three of the members must be of the general or flag ranks. Along with Gen. Hwang and Rear Adm. Watkins, the team includes Brig. Gen. Parr of Britain, another Korean general-grade officer and a rotating member. The rotating countries include Columbia, Thailand, Australia, France and New Zealand, according to Coles.

DPRK Reportedly Asks Egypt for Food Aid

*SK0206134695 Seoul KBS-1 Television Network
in Korean 1238 GMT 2 Jun 95*

[FBIS Translated Text] Without responding to our government's offer of a humanitarian, unconditional provision of rice so far, North Korea has reportedly asked Egypt for food aid. According to analysts, North Korea's request for food aid, despite damaging its honor, is regarded as an effort to diminish food problems before Kim Chong-il's power succession. Reporter Kim Tae-son has more:

[Kim Tae-son] Japanese media reported that North Korea asked Egypt to provide it with food today. The North Korean request was made one week after it asked for Japan's rice support, as well as made an indirect request from us. This enables us to figure out the internal situation of Pyongyang.

In a recent issue of NODONG SINMUN, North Korea stressed: Many countries are now suffering from a food crisis, and tens of millions of people are starving in the world. The food crisis is not a problem that concerns a certain region alone, but is a universal phenomenon.

This unusual report by North Korea is analyzed to be aimed at soothing the people's complaints about a food shortage and justifying the possible failure in being provided with rice by foreign countries.

[Begin Ho Mun-yong of National Unification Institute recording] In light of North Korea's wish to solve economic problems for a smooth inauguration of the Kim Chong-il regime, and in light of the expansion of Kim Chong-il's official activities, it is analyzed that Kim Chong-il's power succession is proceeding tenaciously. [end recording]

[Kim] Accordingly, to find a breakthrough of the food crisis is a pressing issue to North Korea, which is making every effort to prepare the foundation and justification for the official inauguration of the Kim Chong-il system, with the first anniversary of Kim Il-song's death ahead.

Under this situation, our side unconditionally offered to supply rice, based on the principle that problems concerning the nation's welfare should be solved inside the nation first. The government has already completed preparations for contacts with North Korea.

Government's Position on DPRK Rice Aid Viewed

SK0206111595 Seoul HANGYORE SINMUN in Korean 2 Jun 95 p 3

[Editorial: "True Intention Behind the 'Rice Aid Proposal' Is Dubious"]

[FBIS Translated Text] Welcoming it, we have already expressed our expectations of the government's decision to supply rice to North Korea, which is suffering from a food shortage. Na Ung-pae, deputy prime minister and minister of the National Unification Board [NUB], stated that the government will provide practical support to North Korea without making any prerequisites or demanding political conditions and that the government will not oppose Japan's humanitarian-level rice supply to North Korea in response to North Korea's request for a rice loan from Japan. However, a related ministers' meeting held on the following day, presided over by the prime minister, resulted in a somewhat different conclusion. That is, the meeting confirmed the principle that, although it does not oppose Japan's humanitarian-level support for North Korea, the government hopes it will be done in a direction that helps inter- Korean economic cooperation and dialogue.

This inconsistency has become clearer as days went by. During the 30 May meeting of the National Assembly Unification and Foreign Affairs Committee, Foreign Minister Kong No-myong stated: "It is important to provide our grain to North Korea after first holding direct discussions between South and North Korean authorities and then Japan can provide rice. The government urged Japan to understand this principle and asked for its cooperation." However, at a meeting of the same committee held on the following day, Deputy Prime Minister Na Ung-pae contradicted the foreign minister's remarks, saying: "The supply of ROK rice is not linked to the supply of Japanese rice." On the next day, Deputy Prime Minister Na Ung-pae clarified his statement by saying: "The government's true intention was incorrectly conveyed." Nonetheless, the confusion has not yet completely been removed. It is understandable that there are differences between the position of the NUB, which must account for overall inter-Korean relations, and that of the Foreign Ministry, which is more concerned about the possibility of establishing diplomatic relations between North Korea and Japan. However, it is desirable that such differences in position between the government offices are coordinated internally through active discussions and a concerted opinion is announced outwardly. It is natural that North Korea will doubt the true intention of the ROK Government in a situation in which even we are confused.

The government stated it will unconditionally provide rice to North Korea because the rice aid is a humanitarian issue, but it is also asking Japan to "provide rice to North Korea after the ROK supplies rice." This is a contradictory insistence. Insisting on this now, when Japan has decided in principle to provide rice aid to North Korea, is not a brave act. Moreover, this may cause a misunderstanding as if we virtually intended to prevent Japan's aid to North Korea. The government attitude is apt to make North Korea consider South Korea's proposal of rice support as an insidious one and refuse our favor even though it wishes to accept it. We remember a similar situation was repeatedly created in the course of negotiations on the light-water reactor issue and inter-Korean economic cooperation. If the government does not want "political compensation" or to pose as a benefactor, it must give deep thought to this matter and push ahead with it, based on a long-term viewpoint. We have experienced too many cases that started tremendously and resulted in nothing.

North Daily Alleges 'Universal' Food Shortage

SK0206120895 Seoul HANGUK ILBO in Korean 2 Jun 95 p 2

[NAEWOE report from Seoul]

[FBIS Translated Text] North Korea, which is requesting rice aid from many directions to solve its food shortage. urged that international measures be provided to solve the food crisis.

In the recent edition of North Korea's party organ NODONG SINMUN, it wrote: "If measures to solve the food crisis are not established soon, man's existence will become dangerous." It demanded that international societies, including the United Nations, show interest regarding the food crisis issue.

NODONG SINMUN also claimed: "Currently, many countries in the world are suffering from food shortages and every year tens of millions of people are dying of starvation because there is nothing to eat, and billions of the population are stricken with hunger. The food crisis is a phenomenon that has become universal in almost all regions of the world."

Such a report is, on the one hand, to urge international societies to show interest in solving the food crisis, and on the other hand, to propagandize that the food issue is a phenomenon universal throughout the whole world. Thus, it is a move to soothe the people's dissatisfaction over its own food shortage.

Defense Ministry Denies Navy Misguided Trawler

SK0206032695 Seoul YONHAP in English 0243 GMT 2 Jun 95

[FBIS Transcribed Text] Seoul, June 2 (YONHAP) — The Ministry of National Defense Friday denied as "not factual" press reports that a naval ship improperly guided, by radio, a South Korean fishing boat causing it to sail across the West Sea [Yellow Sea] extension of the truce line and to be seized by North Korea last Tuesday.

"It is not true that the naval vessel mistook a freighter for the fishing boat, the Usong-Ho No. 86," a ministry official said. "The fishing boat appears to have made a navigational error."

He said the Navy's Chonan-ham was first informed of the Usong- ho's location around 3 PM [0600 GMT] May 29.

"Since the fishing boat was 150 km away at that time, the naval craft could not detect the fishing boat on its radar and so Chonan- ham had to guide it by exchanging radio messages every hour," the official said.

Around 3 AM the following day, May 30 [1800 GMT 29 May], he said, a vessel appeared on Chonan-ham's radar screen and further investigation showed it was not the Usong-ho, supposed to be in the area by that time, but another ship, the Songkwang-ho.

As the Chonan-ham was set to take part in a scheduled training exercise, the naval vessel turned the work of guiding the Usong-ho over to a maritime police patrol ship around 4:30 AM [1930 GMT] that same morning.

The police patrol ship searched for the Usong-ho but the only vessel it found in the search was a freighter named "Challenger," not the fishing boat in question.

"Under the circumstances, it was not that the Chonan-ham guided the wrong vessel, mistaking it for the Usong-ho. We assume that the Usong-ho sailed North due to a navigational error caused by malfunctioning navigational instruments," the official said.

DPRK Prepares To Hold Parliamentary Elections

SK0206113995 Seoul YONHAP in English 1135 GMT 2 Jun 95

[FBIS Transcribed Text] Seoul, June 2 (YONHAP) — North Korea is preparing the 10th Supreme People's Assembly (parliament) elections, which were to be held in April but have been put off, a government official said Friday.

Pyongyang is known to have completed selection of the parliamentary candidates, he added.

"We don't know exactly when the elections are held, but they are now preparing ballot papers and I think they will hold the elections shortly."

Chances are high that the elections will lead to a generation shift in the party, government and Armed Forces, and those in the second generation of the revolution who are in their early 50s will be posted in the Political Bureau of the Workers' (communist) Party Central Committee, the official remarked.

After the elections, the first-generation revolution elders will retire and they already began retiring from the Armed Forces two years ago.

In North Korea, the president is elected by the Supreme People's Assembly, and the forming of the 10th Supreme People's Assembly is possibly related to Kim Chong-il's formal rise to power, he observed.

The five-year term of the present ninth assembly was to expire in April, and when the 10th assembly is formed it will immediately sit in the first plenary session to deal with the 1995 budget bill and other pressing bills.

Writer Mun Myong-cha Reports on DPRK Visit

952c0046a Seoul MAL in Korean Dec 94 pp 94-103

[By Editor-in-Chief Mun Myong-cha]

[FBIS Translated Text]

Writer Tours Najin, Sonbong Zone

The writer visited North Korea from October 4-8, doing on-site coverage of the Najin-Sonbong Free Trade Zone and the Daewoo-North Korea Joint Management Factory in Nampo, and interviewing many trade officials, including External Economic Commission Vice Chairman Kim Chong-u.

"Golden Delta" Najin-Sonbong Region Is Jumping

Soviet-Made Koryo Airlines Aircraft Consume Twice the Fuel of Their U.S.-Made Equivalents

Beginning with her coverage of the 1990 Inter-Korean Prime Minister Talks, the author visited North Korea six times. While doing so, she set up a plan to cover the state of the North Korean economy and its potential for growth, a subject she felt must sometime be covered at least once.

Accordingly, as opportunities arose, the author would complete her coverage of Pyongyang and, splitting her tight schedule, would visit cities and farming villages in North and South Hwanghae and North and South Pyongan Provinces. Thus, traveling the rural roads of North Korea by car, the author often witnessed women walking the long way back to their homes, carrying heavy bundles in each hand. Whenever she saw this, the author questioned senior officials from Pyongyang: "Why do farmers walk such distances? Are there no buses?" They would answer honestly: "There are buses, but most are standing still. There is no fuel."

Since the Korean war, North Korea has been forced by the U.S. into an unwanted isolation. Based on self-reliance and through economic cooperation with the socialist world, North Korea has managed its national economy under what has amounted to economic sanctions. It is natural, therefore, that North Korea was dealt a serious blow by the collapse of Eastern Europe, which began in the late 1980s. The author's interest was in whether the North Koreans would be able to achieve successful economic growth in a manner different from that of China while sufficiently maintaining their Socialist regime, which in such conditions of isolation they defend much more tenaciously than even China.

Early last April, while covering Tumen, Hunchun, etc. in northwest China, where the Tumen River Development Plan is being carried out under the leadership of the UN Development Plan, the author had an opportunity to hear the aspirations of the Chinese side concerning the area. At that time, by chance, she was introduced to an official of a North Korean trade mission in Hunchun. The official enthusiastically introduced the Najin-Sonbong Zone Project Plan. On December 28, 1991, the region had been proclaimed a free-trade zone by North Korean Administration Council Decision No. 74. After meeting with this official, the author determined to go at least once to the Najin-Sonbong zone, which can be called a barometer of the North Korean economy's potential for growth.

In an interview the author last April 21st, the late President Kim Il-song promised to invite the author to an event commemorating the rebuilding of the tomb of Tangun [legendary founder of the Korean nation], scheduled for October. Accordingly, the author made preparations, thinking to do some on-site coverage of the Najin-Sonbong Free Trade Zone and Nampo District in addition to the tomb of Tangun during her October visit to North Korea.

On October 4, the writer boarded a Pyongyang-bound Koryo Airlines [Koryo Minhang] plane at Beijing Airport. Upon boarding the plane, she unexpectedly saw Vice President Yi Chong-ok, who was returning to Pyongyang after completing a visit to China. After speaking with him for a while, the author, a habitual smoker, went to the smoking area within the plane. There she ended up speaking with the pilot, who had come out for a break.

"I've noticed that Koryo Airlines uses all Soviet planes. Are Soviet airplanes worth using?"

"They use twice as much fuel as U.S. aircraft. They have to change them soon for planes that use less fuel."

If it is going to do this, North Korea will need money to buy Boeing aircraft. What method will it use to earn this money?

The Road to Najin-Sonbong

The author checked into the Koryo Hotel and asked someone at the information desk about her schedule. The date for the Tangun Tomb Reconstruction Ceremony had not yet been set. The author revealed her plan to cover the Najin-Sonbong zone and asked her guide, Kim Pok-sil, who as a member of the Overseas Korean Welcoming Committee [Haeoedongpo Yongjop Wiwonhoe] had been assigned to her, to go through the necessary procedures. The next day, the guide came with coverage authorization from a higher authority. The authorization to cover the Najin-Sonbong zone was the first given to a Western reporter, the guide said.

The Korean Peninsula being shaped like a rabbit, the Najin-Sonbong zone is at the very tip of its erect ear. The road to Najin-Sonbong, bordering on China and Russia with the Tumen River between, was much longer than expected. The author was told that the only express train to Chongjin was a night train. Boarding a night train equipped with sleeping compartments, they headed for the distant Tumen River late into the night. Passing Hamhung, Tanchon, Kilchu, Myongchon, and then Chongju, the train stopped at a place just short of Najin. When they got off the train, it was the afternoon of the next day. The sun was at its zenith. From there, they went into the city of Najin by car.

On the road into Najin, they met a speeding truck transporting songi mushrooms. There are a little over ten places in all of North Korea where songi mushrooms grow. Najin is one of them. The author was told that most songi mushrooms produced in Najin are exported to Japan. There are two transportation routes. One goes directly to Japan through the harbors at Najin or Chongjin. By the other, mushrooms are conveyed to Pyongyang in refrigerated trucks, which the author saw, then shipped by plane from Pyongyang to Tokyo or Pyongyang to Beijing to Tokyo. Although there are only two passenger planes traveling between Pyongyang and Beijing each week, cargo planes run daily. The price of songis drops if the mushrooms bloom. Therefore, it is said, songi-carrying trucks can travel at high speeds without being stopped for speeding violations and other vehicles get out of their way.

This year in particular was a good one for songi crops. [Officials] said the crop will be close to twice the size of one produced in a normal year. The author bought one kilogram for 130 won [W] in exchange money. This term, "exchange money," means just what it says: the North Korean currency paid by foreigners which they obtain in exchange for foreign currency. W130 is about $65. The songi mushrooms are put in a clean box lined with pine needles. They are then covered with pine needles and the box is covered and wrapped. One kilogram contains one large, fist-size songi and several smaller ones, a total of ten-some mushrooms. They were so fragrant and looked so appetizing, the author could guess how much they would be appreciated by [some] Japanese, who would die for a songi mushroom. She cooked and ate them, and found them to be a true delicacy. The author checked out their price on the Tokyo market after finishing her coverage of North Korea. A good-sized North Korean songi was selling for 12,000 yen (W96 thousand).

Najin, Ice-Free Port Coveted by Tsarist Russia

Upon entering Najin, the author was met by another guide, a Mr. Kang. A male in his early fifties responsible for welcoming Koreans who reside abroad, he belonged to the "Najin-Sonbong Administrative Economic Commission." When asked about the local situation, he was so fervent in his answer that it would have been easy to mistake him for a businessman from a capitalist country selling his company's merchandise.

[Interviewer] What kind of work is done by the "Najin-Sonbong Administrative Economic Commission"?

[Kang] The Najin-Sonbong Administrative Economic Commission is a local administrative organization which, under the close control of the Administration Council (the North Korean cabinet), exercises jurisdiction over the development and operational issues of the Najin-Sonbong Free Trade Zone. Our Municipal Administrative Economic Commission performs the function of a zone authority. Within the bounds of the authority they have received, they accept, consider, approve, and register the business applications of foreign investors and businessmen. They lease zone land, supervise and control business management, and are directly in charge of taxation and labor affairs."

[Interviewer] What is the main development goal of the Najin-Sonbong Free Trade Zone?

[Kang] The Najin-Sonbong area is located in a triangular zone on the lower Tumen River and has promising maritime harbors bordering on China and Russia, with the Tumen River between it and them. Our objectives, therefore, are: first, to make the Najin-Sonbong area a gateway, a base of intermediate transportation and trade to the NE Asian region; second, to turn this district into an export-oriented base of light and processing industries; and third, to make it into a finance, communications, tourism, and commercial service center that will play an important role in NE Asia's regional development.

[Interviewer] What is the population of Najin-Sonbong and what are its major industries?

[Kang] The population of Najin is 70-80 thousand. Combined with Sonbong, it is about 130 thousand. Najin Harbor is a natural ice-free port, so coveted by the Russians since the time of Tsarist Russia that they made it an objective of their policy to advance southward. During the Japanese occupation, the Japanese used Najin and Sonbong as military ports. At present, Najin Harbor can handle 3 million tons of freight annually. Sonbong Harbor is a petroleum port capable of handling 250-thousand-ton oil tankers. Next to it is Ungsang Harbor, a lumber port specializing in the handling of unsplit wood. Located about 40 miles from the zone is the Chongjin free-trade port, which has the capacity to handle 800 million tons of cargo annually. All these ports are linked directly with China and Russia by rail and road networks. Within the zone are located over 50 small- and medium-size factories, including a fuel-oil thermoelectric power plant with a capacity of 200-thousand kW, a petroleum-processing plant with an annual capacity of 2 million tons, a ship-repair facility capable of repairing 40-50 10-thousand-ton-class ships per year, and various industrial facilities producing food, daily-use articles, construction materials, and clothing. Petroleum used to be sent from Russia by a pipeline that passes China's Taching and connects all the way to Najin. Quantities have dropped off recently, however. Now oil is generally brought in by ship and train.

[Interviewer] Now that I'm here, I see that this is a place of natural beauty. What are its prospects as a tourist resort?

[Kang] This region's coastline is about 156 km long. It has eight bays and eight capes, so the coastline is rugged and the scenery beautiful. The area is rich in marine products, such as sea bream, herring, oyster, and clam. The sea is dotted with 21 unpolluted, jewel-like islands frequented by over 20 species of rare migratory birds. Various kinds of fish and oysters inhabit the natural lakes within the zone as well as the sea. Bordering on the zone to the south is Mt. Chilbo, a famous mountain called the "Second Mt. Kumgang." In addition to its hot springs, it has mineral waters that are very effective in treating chronic indigestion. The area has natural conditions that would be very advantageous as a tourism service center.

Afterward, the author toured Najin-Sonbong by car, accompanied by Kang. The area along the road from Najin to Sonbong was a broad plain. When they passed Huchang-ri, Sinhung-tong, Paekhak, Hongui, and Ungsang, the author's eye was caught by billboards stating that this was an industrial area. Six industrial areas were selected and formed, she was told, in accordance with the General Zone Land Construction Plan established on March 12, 1993.

Sonbong Streets Crowded With Tall Buildings

The car went down from the "Namsan Yogwan," a typical Najin hotel. The whole area was an industrial zone. They stopped inside one of those industrial areas. The author's eyes caught a sign that read: "Light Industry Zone." There, ground-clearing and road-bed work were in full swing. The light-industry zone was situated in a broad plain with distant mountain ranges running along two sides. Here and there could be seen workers leveling low hillocks. In the haze, the author could just make out a sign that read: "Food Processing Zone." That place was a vegetable field with scattered buildings erected in it.

"Following the General Zone Land Construction Plan, the objects of various industrial sectors—light industry, electronic-automation industry, food-processing industry, machine industry, chemical building-materials industry, lumber-processing industry, and textile industry—are arranged in a concentrated or decentralized manner within the zone."

This was the explanation of the author's guide, Mr. Kang. Upon entering the food-processing zone, she was met by a guide for that zone. In his hand he held a detailed map of the food-processing zone interior.

When questioned regarding what type of work he did, the guide answered: "When foreign investors visit, I describe the zone layout using a plot plan. Then, as they actually tour the zone interior, I help them select a lot with the conditions they want." While actually showing the author around the zone interior, he added appropriate explanations, such as, "Certain aspects of this location offer good conditions," and, "Someone came by and looked at this lot; [the sale] will be decided around such-and-such a time." He resembled a real estate broker from a capitalist country. "We're very busy because foreign businessmen are coming everyday, looking around inside the zone and searching for good lots," he said.

Going by car, they entered the city of Sonbong. The author could not help but be secretly surprised when she saw the five-to-ten-story buildings crowded together. The citizens passing by seemed fairly energetic. It was the author's first trip to the Hamgyong Province region. Whenever she heard the words, "Hamgyong Province," thoughts of "Pukchong water sellers" would come to mind. This was the extent of her knowledge of the area. When she departed from Pyongyang, she had thought that, even though it had been determined that the area would be the Najin-Sonbong Free Trade Zone, land-clearing work would probably be the extent of the construction being done in this out-of-the-way place situated at the very [northernmost] tip of Korea.

Passing through the streets of Sonbong, the road went by the so-called lumber port, the Ungsang industrial area. When they arrived at the Hongui industrial area, which almost borders on the Tumen River basin, a distant construction site came into view. Bulldozers were busy leveling ground. There was even an area that looked like an airstrip. The author asked Kang about this and he said that construction was being done on the "Pupo-ri Airport." In the first stage after the airport construction is completed, plans call for service on a Pyongyang-Sonbong-Yanji route, Kang said. It will then gradually be built into an international airport.

The author sensed this in the people of Pyongyang and also in the people of this area. They have a tremendous sense of pride in all they have achieved with their own hands since the war. This is especially the case in cities such as Chongjin, which was turned completely to ashes by naval gunfire during the Korean war. They rebuilt the present harbor facilities and every single building, residents say, entirely by their own strength.

Five Degrees Warmer Than Pyongyang

After looking around the industrial districts, their car headed toward the top of a "tan" towering above the Najin Harbor seashore. A "tan" is a bluff that rises high above a beach. The view was magnificent. Looking out from the cliff top, the author could see all of Najin and Sonbong harbors. On the smooth sand beach below the bluff could be seen people collecting clams. Looking far out over the ocean from atop the bluff, there was an island lying sideways on the ocean at the entrance to Najin Bay. It looked just like a breakwater stopping the waves driving into the bay. Its name is "Pipa Island." They say "pipa" means "stops waves." It was explained to the author that Najin Harbor was ice-free because this island blocks the waves.

When the author left Pyongyang, she dressed warmly, putting on as many of her clothes as possible. Pyongyang had suddenly grown cold around the time of her departure. When she asked one driver about this, he said, "If Pyongyang is this cold, then Najin and Sonbong will be about -10 C. Wear a lot of clothes when you go." When she got there, however, the author found it to be actually much warmer than Pyongyang. She had to take off all the clothes she had put on. The driver had not been to Najin or Sonbong either. The average temperature of Najin and Sonbong is five degrees higher than Pyongyang. Here, winter is short and spring comes quickly. Residents say snow seldom falls even in winter.

The Pipa Guest House was buried in the dense forest atop the seaside cliff. The author was told that the place is a hotel in which senior officials stay when they come from Pyongyang. The view around the Pipa Guest House was incredible, reminiscent of the Haegum River. This area, the author was told, had been designated a mountain-villa zone, in which were to be built high-class hotels and villas for tourists.

The person responsible for the guest house was a woman in her fifties whose last name was Kang. She cooked the group a refreshing bowl of beanpaste soup for lunch. Its flavor and aroma were superior. She boiled wild greens, which, she said, grow on the mountain in May, and clams in beanpaste that seemed to have been prepared at home. The author was curious as to how she preserved through fall the aroma of wild greens picked in the Spring. In addition, fish, clams, small octopuses, and sea urchins, obtained from the sea in front of Najin, were part of the meal. The sea urchin placed on a clam shell and lightly steamed was a delicacy with a flavor different from that of raw sea urchin.

The author was told that, just like songi mushrooms, the marine products from the seas in front of Najin-Sonbong all go to Japan through enterprises belonging to members of the General Association of Korean Residents in Japan. Due to this, businessmen from the Japanese side occasionally stay for long periods in Najin.

In the Yongnyong region in the vicinity of Sonbong, the author was told, there are general farms called, "allotment farms." These are operated in a manner completely different from that of the socialist collective farms. On these allotment farms, farmers are supposed to work for eight hours and all profits from the sale of marine and agricultural products they produce are divided among themselves. What is surprising is that this method of operation was, according to the North Koreans, first used in 1973 and continues to the present.

At a cozy location on the beach right beside the Najin Harbor wharves, construction was in full swing on the new "Najin Hotel." With a total of eight floors and 100 guest rooms, this hotel is a joint management project carried out in partnership with Korean Americans. At present, construction has gone as far as the fifth floor. Officials said the target for opening was February 1995.

Namsan Hotel, Bustling With Europeans, Middle Easterners

The author's place of lodging was the "Namsan Yogwan." She wondered about the accommodations since this was a hotel on the remote frontier, distant from Pyongyang. Its scale was considerable, however, and its facilities quite good. The interior decorations were clean. The guest rooms were spacious with high ceilings. Crimson satin was laid out on the stairways. Hotel management was computerized; calculation of charges was done efficiently by computer. There were no vacancies at the hotel. Europeans and Middle Easterners could be seen as well as Chinese and people from the [former] Soviet Union. When asked about this, the person in charge of the hotel said, "American businessmen are coming tomorrow and Malaysian businessmen are supposed to come on the 13th. Some are coming from South Korea also." The lodging fee for a twin-bed, two-person room was W160 in exchange money (about $80). Unlike Western hotels, they only charge W140 for a twin bedroom if there is a single occupant.

The Namsan Yogwan had Korean, Western, Japanese, and Chinese restaurants, and also a coffee shop and bar. "They are building another hotel in addition to the Najin Hotel in preparation for the future demands of businessmen and tourists," the hotel manager revealed.

For her return trip, the author was fortunate enough to catch a ride on a Pyongyang-bound light plane at the Najin Airport. She was told this plane makes the trip once per week. Going about 30 minutes by car from Najin, they ran across a small airfield. Propeller aircraft and military aircraft were parked there and the place was completely surrounded by agricultural fields. In a distant village, the author could see two and three-story apartments of a type unique to farming villages. Also visible were groups of what appeared to be children returning from school.

Getting on the aircraft, she realized it was a songi mushroom transportation plane. The 50-60 passenger seats were folded up, the resulting space loaded with songi mushrooms. The author was told that the Najin Airport too was to be expanded in accordance with the Najin-Sonbong zone development plan.

What the author was most impressed by while touring the Najin-Sonbong zone was the mood of area residents, who were preparing for the "Great Capitalist Experiment" in their own hometown. Despite their rough Hamgyong-Province dialect, they seemed considerably cheerful and energetic rather than brusque. The guide who accompanied the author from Pyongyang expressed it this way.

"In our country, Hamgyong people are known to be hard-working, stubborn people who do what they put their minds to. It is probably because of this characteristic that an unusually large number of people from Hamgyong Province participated in the anti-Japanese resistance movement. And people recognize Hamgyong women as being good women. If you go to a Hamgyong woman's house, her wooden floor will be sleek and clean. They are famous for being good cooks and for their vitality."

Their light plane was already leaving Najin airspace.

External Economic Commission Official Interview

"It wouldn't matter if a South-Korean-flagged ship came into Najin Harbor everyday."

Busiest Person in Pyongyang

Upon returning to Pyongyang, the author tried to get an interview with Kim Chong-u, vice chairman of the External Economic Commission, the institution with actual, overall responsibility for the Najin-Sonbong zone. After several attempts, she finally met him, the busiest man in Pyongyang.

[Interviewer] It's been almost three years since Najin and Sonbong were declared a free-trade zone. To what extent have institutional preparations for attracting investment been made?

[Kim] In order to legally guarantee that people from any country can come into the Najin-Sonbong zone and freely conduct business, our government has enacted and published ten laws, including the Fee Trade Zone Law, Tax Law, Foreign Currency Management Law, Customs Law, and Joint Management Law. Nine enforcement ordinances also have been published. These laws and ordinances were prepared with emphasis on creating a legal environment just as good as those provided by the preferential measures applied in the special free-trade districts of other countries. This was done to make it possible for the Najin-Sonbong zone to actively contribute to NE Asian regional economic development.

[Interviewer] What, then, are some conditions that businessmen wanting to invest in Najin and Sonbong will find attractive?

[Kim] For example, leasing land for up to 50 years, enterprises investing in the zone will possess the usage rights for that land. If necessary, leased land can be leased again, transferred, and inherited. There are not many kinds of taxes and the rates are low. The most important, corporate income tax, is 11 percent lower than that of the area outside the zone. At 14 percent of profits, low rates are applied and enterprises are exempt from corporate income tax for a three-year period, beginning the year they start to turn a profit. Additional tax privileges, such as reduced tax rates or extended exemption periods, are given for investment in sectors we particularly want to stimulate.

[Interviewer] What types of business do you mean by sectors you particularly want to stimulate?

[Kim] These are export-oriented processing industries based on advanced technology, resource development, harbor, road, communications, power, and other infrastructure-building sectors, scientific research and technological development, service-facility construction and service industries, and the field of light industry. Corporate income tax for these sectors is 10 percent. In addition to the three-year tax exemption period, these sectors are given a tax reduction of up to 50 percent for the two following years.

[Interviewer] Since North Korea is a worker's country, foreign enterprises may feel burdened when they hire North Korean workers.

[Kim] Concerning the hiring, dismissal, and management of labor, businessmen are permitted by law to freely use and manage labor to fit their business objectives in accordance with their own free will. All the foreign investor need do is present a labor-management institution with labor requirements by occupation type and skill. The labor-management company will guarantee an appropriate work force recruited inside or outside the zone. As far as compensation for labor is concerned, the law only stipulates minimum level. Wage levels are to be determined internally, by a contract between the parties concerned. The state will not interfere in this. More than anything else, what makes our labor force superior is the fact that, since all workers—no matter where they are hired—have had a compulsory, 11-year, high school education, it is a high-quality work force. I also want to stress the point that, wherever they work, our country's laborers work devotedly for themselves and their nation, and since the government does the best it can to take care of their daily needs, in our country there is no reason for concern over strikes, disputes, or similar labor-management troubles.

"No Concern over Labor-Management Troubles in Our Country"

[Interviewer] Can enterprises freely take out the money they have earned?

[Kim] Of course. Enterprises investing in this zone may freely take out of the country legally earned profits, including net profits. The capital and property in which they have invested is legally protected; it cannot be nationalized or confiscated. The Foreign Currency Management Law states that investors can, without limit, bring into our country foreign cash, foreign securities, and precious metals, and can take foreign cash and securities outside the territory of the Republic, without official documents or customs declaration. Securities transactions may freely be conducted within the zone. Transactions may be conducted with non-resident banks as well. Additionally, we also guarantee interest rates at 7 percent, about 1.5 percent higher than the international level.

[Interviewer] The legal system is also important, but, as some point out, it will be difficult to attract large-scale investments since you have insufficient indirect social capital, such as roads, harbor, electrical, and communications facilities. How do you plan to solve this problem?

[Kim] We prepared the "General National Land Construction Plan for Developing the Najin-Sonbong Free Trade Zone" and it was ratified by the government on March 12, 1993. In keeping with this plan, we will increase the cargo-handling capacity of Najin Harbor from the present 3 million tons to 70 million tons. We plan to expand and modernize Najin Harbor from its present direction of primarily handling containers. We will raise to the 20-million-ton level the cargo-handling capacity of Chongjin, which is near the zone, and raise to the 10-million-ton level the petroleum and petroleum-products handling capacity of Sonbong Harbor. In order to improve the transit capacity of the rail and road networks connected with the harbor, we will finish the electrification of the railway, make it double tracked and capable of carrying heavy loads, and automate its operation. As for the roads, in the early stages, we will expand and pave existing roads and build new highways. Thus, we will easily guarantee intermediate freight transportation in the direction of China's Hunchun and Yanji and in the direction of Russia's Hassan. For electrical power, we will increase the capacity of the existing 200-thousand-kW fuel-oil thermoelectric power plant to 400,000-500,000 kW and, at the same time, build another new thermoelectric power plant in the Najin District. Constructing a communications center in the Najin District, we will first of all guarantee international communications by linking with Hunchun, China via optical-fiber cable and Vladivostock, Russia via VHF radio. We intend to set up a satellite communications station in the future.

[Interviewer] How much progress have you made?

[Kim] We have committed our great construction capabilities at the national level, based on the preparations made up until now. We are taking measures to proceed full scale with zone basic construction and complete it within approximately three years. To be built first in the basic construction stage are hotels, a communications center, development-promotion center, Najin Harbor container wharf, and airport. Reservoir construction and road modernization and paving work will also be done. We are holding contract discussions with investors concerning some of these projects, such as the airport and development-promotion center.

[Interviewer] Foreign businessmen desiring to invest in the Najin-Sonbong zone must go through what procedures?

[Kim] Institutions associated with investment in the Najin-Sonbong zone are the Korea External Economic Commission, External Economic Commission General Economic Development Bureau, and the Zone Authority. The External Economic Commission, of which I am chairman, is a civilian commission that discusses the development and operation of the Najin-Sonbong Free Trade Zone and makes recommendations to the government, conducts negotiations with businessmen desiring to invest in the zone, secures data, and provides services needed for establishing an enterprise. It brings together various institutions and commercial firms, including all economic-development companies, has a standing secretariat and regional offices, and employs about 70 specialists in various fields. A general bureau within the Administration Council's External Economic Commission, the General Economic Development Bureau has below it the Economic Cooperation Bureau, Investment Review Bureau, Business Guidance Bureau, and Legal Bureau. It exercises united control and guidance over zone-development projects. It performs the functions of accepting, considering, and approving investment applications regarding the zone. The Najin-Sonbong Municipal Administrative Economic Commission is the regional administrative organization exercising direct jurisdiction over zone development operations. It carries out its projects under the close control of the Administration Council. Foreign enterprises wanting to come into the Najin-Sonbong zone and do business can take care of all activities related to this, from negotiations to object selection, feasibility studies, detailed studies, and submission of application, either through the External Economic Commission or directly though the Zone Authority.

Foreign Investments Attracted to Date: $35-36 Million

[Interviewer] Have there been many investment negotiations?

[Kim] Since the beginning of this year alone, over 60 delegations interested in the Najin-Sonbong area have visited our country for on-site inspections and investment negotiations, requiring over 200 man-days. They have concluded tens of recommendation documents, including six investment contracts. Some of these are already entering the execution stage.

[Interviewer] What have been the results and details of your foreign-capital attraction to date?

[Kim] It is my understanding that up to the present, our attraction of foreign capital has recorded a total of $35-36 [million]. In detail, there have been two cases with China, one case with Russia, and the rest is the capital of Koreans residing abroad. The two cases with China were road construction. As a joint-management project with the Sonho Business Group, improvement and expansion construction is being carried out on the road from Chongjin through Hoeryong to Yanji in China's Jilin Province. The road will be 12 meters wide. Roadbed construction is already completed and secondary finishing work has begun. Also, consultation is underway between North Korea and China on the issue of forming another railway connection point between the two countries by building a new railway bridge between Hunyung, Saebyol County in North Korea and Hunchun [in China] and the issue of improving and expanding the road to Hunchun, paving it, and opening the existing Wonjong-Kwonha bridge. The one case with Russia is equivalent to $15-million. Although the window is only one company, the project is being conducted by a consortium of nine companies in Russia. They have already opened their office in Najin. They are handling railway improvement between Najin and the Tumen River and the bringing in of new-model equipment for two of the three wharves in Najin Harbor. Their demand is later to be given priority in handling the Russian side of import and export freight through Najin Harbor. At present, eight cranes have entered the harbor. The remaining equipment has been delayed somewhat. Lately, I am told, inflation is so severe in Russia that rail freight rates are going up every day. The Russian contractors are running into many bottlenecks of various kinds. Meanwhile, on Wharf One of Najin Harbor, construction has been completed on a modern fertilizer transit facility with an annual capacity of 1 million tons. It started operating a short time ago. Construction of a 200-bed hotel has entered its final stage.

[Interviewer] I saw that construction on the Najin Hotel had gone as high as five stories. With whom is it going to be jointly managed?

[Kim] It is a joint-management project with the Northeast Asia Development Corporation [Tongbuk Asea Kaebal Hoesa], of which Korean-American Kim Chinkyong (president of Yonbyon College of Science and Technology) is president. Northeast Asia Development is to invest $5 million for this joint-management project. Some of this amount has come in. Project plans call for the hotel to be opened on February 16, 1995.

[Interviewer] I remember seeing, "Sonho Business Group Given Chongjin Harbor Usage Rights," in a South Korean newspaper. Does Sonho hold the usage rights for Chongjin Harbor?

[Kim] No. This does not mean that only the Sonho Business Group has the right to use Chongjin Harbor. They are merely involved, in accordance with our laws and regulations, in the marine transportation business in the Najin-Sonbong zone. Not only these companies, but anyone who applies in accordance with our laws and regulations may use Chongjin Harbor as they do. The Sonho Business Group also formed a real-estate development company jointly with the South Korean company, Haedok Express. They plan to develop land and transfer it to other companies. It is possible for anyone to participate in this business as well, in keeping with our laws and regulations regarding the lease of land.

Opening of Nampo, Sinuiju, Wonsan To Be Determined Upon Completion of Second Stage of Najin-Sonbong Project

[Interviewer] There was a report that Haedok Express would operate ships from Pusan to Najin to China. How is the project going?

[Kim] Haedok Express did not conclude a contract with us, but we have already made it clear that, as far as we are concerned, whether under a Chinese flag or the flag of a third country, or even a South Korean flag, South Korean ships are welcome to come into port every day. It is my understanding that Haedok was preparing to operate this route. I heard, however, that something called the "Home-Waters Law" was enacted in South Korea about two months ago, making it possible to operate this route only once every six months. How can they operate the line like that? At present, Haedok representatives are not giving a positive indication of their intentions. To us, it looks like the South Korean Government made these restrictions because of the nuclear issue. It is difficult for South Korean enterprises to understand whether they are being told not to get involved in Najin and Sonbong. Even though we have political problems in addition to the passing away of President Kim, we sent a letter of invitation to South Korean businessmen saying that it was okay for them to come to North Korea and we had made preparations to go to the UN Development Planning Conference being held in Seoul in October.

[Interviewer] Why, then, didn't you go to Seoul?

[Kim] Invited by the Korean office of the European Community Chamber of Commerce, the sponsor of the event, Vice Chairman Im Tae-tok and three-to-four others prepared to go. The South Korean side, however, did not issue entry permits. Written notification came from the Unification Board on October 7th: "Visas have been refused due to the present situation."

[Interviewer] What is the present status of investment in North Korea by South Korean enterprises?

[Kim] We are meeting in third countries with working-level officials of Lucky [Goldstar], Samsung, and Korea Explosives. However, so far, only Daewoo has entered our country for joint-management business. Haedok Express contracted with the Sonho Business Group, not with us. Just take the on-commission processing field. At first, I didn't know who was who because all enterprises came in with Korean-Americans as their representatives. A Korean-American enterprise came making overtures about joint-management issues. Only later I found out that it was actually Samsung. A Korean-American from Los Angeles came into the country; this time it was Koorong. Acting as the windows for big business, overseas Koreans worked hard making trips back and forth to the North. With no direct trade, however, substantial results were not great.

[Interviewer] I hear that, following Najin and Sonbong, Nampo, Wonsan, and Sinuiju are going to be opened. Is this actually being considered?

[Kim] This question will be decided in 2000, after the completion of the second stage of the three-stage development plan for the Najin-Sonbong zone, based on its results. The possibility of opening sectors such as transportation, hotels, and tourism is being considered.

Also chairman of the board of directors of the General Economic Development Corporation, an enterprise under the auspices of the North Korean External Economic Commission, Chairman Kim Chong-u hurriedly left the Koryo Hotel after completing the interview, saying he had a conference to attend.

Tours Nampo Industrial Park

Daewoo Chairman Kim U-chung and Wife Visited Nampo Factory in Mid-June

Completed a Year and a Half Ago, Daewoo's Nampo Factory Sits Idle

Traveling about 35 minutes by car along a highway stretching out pleasantly from Pyongyang, clean, pale yellow, four-story buildings started to appear above the wide-open earth. These were the buildings of the Daewoo-North Korea joint-management company, "Nampo Light Industry Joint-Management Integrated Factory." Arriving at the factory, the author was met by assistant factory manager Choe Chong-sik and factory manager Ma Sung-kyong.

Looking just like a low-storied apartment building, the factory was built with long buildings along each side of it and connected to it. This was so that the production line could fit inside its four-story frame. Soldiers were standing guard at the entrance.

Looking around the factory, the author saw that the road beside the factory was connected to the highway going to Pyongyang. The road adjacent to the factory on the opposite side went to Nampo Harbor. A tributary of the Taedong River flowed right beside the factory area. The factory management will not have to worry about water.

[Interviewer] The factory is much larger than I expected. What is the size of the lot?

[Choe] It is 12 chongbo (36-thousand pyong [118,800 sq m]).

[Interviewer] When was construction on this factory building started and when was it completed?

[Choe] We and the Daewoo side signed off on the joint-management project on September 21, 1991. Afterward, in accordance with the contract, we started construction in November 1991 and completed it in April 1993.

[Interviewer] Why do soldiers guard the factory?

[Choe] Because this is not wartime. The military was used in the construction of the factory. This factory is not the only structure in our country built by soldiers.

[Interviewer] What items will be produced at this factory?

[Choe] (While looking at the factory from directly in front of it) What you see on the left side in front is the administrative office. The next building is the dress-shirt plant. Half of the next building is a jacket plant and the remaining half is a leather plant. The leather plant produces travel bags, hand bags, etc. The next building is a power generation facility for producing our own power. The first building on the right is a plant producing various kinds of sportswear and the building beside it is a footwear factory. In front of that, where we got rid of a hill and are presently doing land clearing, we are building a children's nursery, restaurant, and employee dormitories.

[Interviewer] How many workers are there?

[Choe] The number of workers was set at 1,400. Most are women.

[Interviewer] What about transportation?

[Choe] At present, 15 minutes is the longest it takes by car to get from the factory zone to Nampo Harbor.

[Interviewer] How much of the factory equipment is in place?

[Choe] To date, Daewoo has brought in two five-ton boiler machines and one three-ton boiler. Although sewing machines were brought into the clothing factory, nothing has been brought into the footwear and leather plants.

[Interviewer] It's been a year since you completed the buildings. Do you mean to tell me that they are not doing anything?

[Choe] According to the content of the agreement, workers are supposed to be trained for one month, from November to December of this year. Up till now they have prepared everything as stipulated in the agreement. Electricity, sewage, waterworks, telephones, labor, etc., in addition to buildings and roads. Even now if Daewoo brings mechanical equipment as agreed, they could start operating the factory immediately. But, in the present circumstances, Daewoo is unable to come in here. Is it not? As you said, it has already been one year and six months since this factory was completed. We cleared land, built buildings, and even completed a road network to build such a large factory. Yet now we are just wasting time. We have lost so much.

"The President and His Wife Both Seemed Satisfied."

[Interviewer] When was the last time [Daewoo] President Kim U-chung visited this factory?

[Choe] It was mid-June of this year. He looked around this factory with his wife. Both of them seemed satisfied.

[Interviewer] There are rumors that Kim visited Pyongyang during the funeral period for President Kim Il-song. I don't suppose you know whether this is true?

[Choe] I wouldn't know that. However, if he had come to Pyongyang, there is no reason he would not have visited this factory. Since he did not come here, I assume he did not come during the funeral period.

According to what the author confirmed in Beijing, during the funeral period for North Korean President Kim Il-song, Kim U-chung came as far as Beijing, but gave up going to North Korea when the South Korean Government would not give him authorization to do so.

After returning to Pyongyang from Nampo, the author spoke with several workers in the North Korean trade. One of them, an official who demanded anonymity, made the following surprising statement.

"There are really a lot of problems in the present on-commission processing trade with South Korea. With a person responsible at each factory directly handling labor expenses, persons who have never been to a foreign country even once, South Korean businesses frequently use our cheap, quality labor force to make exorbitant profits solely for themselves. What is worse, there are even cases in which our own companies have been made to compete among themselves, resulting in dumping [i.e. offering labor at far below reasonable costs]."

The author begged him for more detail and got it.

"During the last two-and-a-half years, Samsung Products did on-commission processing of approximately 4 million suits of clothing, such as dress shirts, sweat suits, and women's blouses, through their representative, a certain Korean-American named L [as published]. They brought raw materials, even thread. Handling the on-commission processing, one factory, the Yonha Trading Company located in the vicinity of Pyongyang, contracted for a labor cost of $3 per sweat suit. This year, however, Samsung's representative, Mr. L, held negotiations with the Unha Trading Company, which is located near Yonha, and switched its business to Unha on the condition that it would reduce wages to $2.50 per suit. Samsung got this result by cleverly getting our enterprises to compete with each other."

[Interviewer] How much is one of those sweat suits?

[Official] Having concluded a long-term contract, representatives of Yonha Trading protested. During this process, the Ministry of Foreign Trade became aware of the case and launched an investigation. Being high-quality products, most of the sweat suits in question were to be exported to Japan. So, officials went all the way to Japan to investigate prices. The sweat suits were selling for 9,600 yen (about W80-thousand) each.

[Interviewer] So what happened?

[Official] If your labor costs for an W80-thousand product are W2,400, you aren't making exorbitant profits? Manufacture 700-thousand suits annually, a total of 4 million suits, and you have made a considerable profit. In such circumstances, is it right for them to cut labor costs by some 50 percent by using the wrongful method of making our companies compete among themselves? In the middle of last August, the Ministry of Foreign Trade suspended the on-commission processing business of both companies. This Mr. L apologized and is supposed to come soon to resolve the problem. When the overseas Koreans representing South Korean enterprises came into our country, we did all we could to make things as convenient as possible for them. I can't understand why they use such trickery.

People Racing Toward the Future

The author too has heard of this Korean-American, Mr. L. He is known among Korean-Americans: "I heard that some guy who had nothing went back and forth to North Korea and made a bundle."

There is a serious problem in the fact that there are many people like Mr. L. There is another Korean-American who used to drive a Rolls-Royce and frequently visited North Korea as a representative of a South Korean enterprise, which cannot engage in direct trade. In the case of the incident with Mr. L, it is uncertain whether Samsung Products actually knows accurately why its on-commission processing business was suspended. Is not all of this a result of North and South Korean businessmen still being unable to meet face to face?

Lastly, we need to mention the traders of North Korea. For the last 40 years, North Koreans have lived under what are essentially economic sanctions imposed by the U.S. Thus, there is absolutely no reason for the trade practices of the capitalist world to have found a place in North Korea. By this, we mean that, because most of what trade they have had has consisted of bartering with China or trade with Japan conducted through businessmen belonging to the General Association of Korean Residents in Japan, they have not had much chance to cultivate people talented in the field of trade. Among the persons involved in the trade the author met while covering this story, there were even those who could not understand a word of English. Because of this lack of experience, North Korea's traders have not progressed passed the stage of challenging a new world, both in quantity and quality. Even North Korean officials admit this fact. Beginning this year, North Korean authorities are scouting for talent on a large scale and cultivating traders.

Despite such limitations, the author's overall evaluation of the North Korean experiment in openness is "hopeful." Hopeful, that is, so as long as diligent Hamgyong Province workers with their aching hands leave their homes for work, saying in their rough accent: "Goodbye, Dad. I'm going to work [Here, the Korean reflects the accent.]," and race toward the future of the Najin-Sonbong area.

104 Reservists in Training Desert; 92 Return

SK0206023695 Seoul THE KOREA HERALD in English 2 Jun 95 p 3, 11

[FBIS Transcribed Text] Over 100 reservists under a three-day exercise at an Army training center north of Seoul deserted Wednesday night, complaining of harsh training, according to the Army yesterday.

Most of them returned to the training center by yesterday afternoon, an Army spokesman said.

The Army filed charges against all of the 104 reservists with the police for violation of the law governing reservists, the spokesman said.

The reservists, most of them in their early 30s, deserted the Army barrack at Yonchon in northern Kyonggi Province at around 10:50 p.m. Wednesday [1350 GMT 31 May] after the Army instructors rejected their request to allow them to have drinks.

At 1:50 a.m. yesterday [1650 GMT 1 Jun], 63 of the reservists under an annual three-day mobilization exercise returned to the training center. By 1 p.m. [0400 GMT], most of them returned, except for 12 trainees, according to the spokesman.

Brunei, Malaysia & Singapore

Malaysia

Minister: U.S. Human Rights Charge 'Baseless'

BK0206044195 Kuala Lumpur UTUSAN MALAYSIA in Malay 1 Jun 95 p 31

[FBIS Translated Text] Kuala Lumpur, 1 Jun — The action by the U.S. Congress in imposing the "code of conduct" on Malaysia, accusing it of using U.S.-made weapons to "violate human rights" is totally baseless.

According to Foreign Minister Datuk Abdullah Ahmad Badawi, the government regrets the action by the U.S. Congress because it appears as if the latter wants to control the country's method of administration, particularly regarding the purchase of weapons.

Speaking to reporters after a meeting with the new Philippine Foreign Secretary Domingo Siazon, Jr., here today, he said: "We have the right to purchase the weapons that we deem necessary, and up to now the Malaysian Government has never used weapons it has purchased for any human rights violations."

Abdullah considered the U.S. Congress' action as not only baseless but also indicative of its ignorance of the situation in the country.

He said: "The Congress has no right whatsoever to determine what we do since we have our own set of laws covering the purchase of arms to defend our country."

The proposed "Code of Conduct on Arms Transfer Act 1955" was drawn up by Republican Senator Mark Hatfield and Democrat Cynthia McKinney for the purpose of blocking arms sales and the purchase of American-made weapons by countries that violate human rights.

In a Senate debate, Hatfield criticized the sale of the country's weapons to Malaysia, Indonesia, and Turkey, which were accused of human rights abuses.

Ministry on Vietnam's Reaction to Island Claim

BK0206041695 Kuala Lumpur BERITA HARIAN in Malay 2 Jun 95 p 12

[FBIS Translated Text] Hanoi, Thursday — Up to now, Vietnam, unlike China, has not given a clear reaction to Malaysia's latest announcement of its sovereignty over Layang-Layang Island in the South China Sea, except to say that countries disputing the claims should not further aggravate the situation.

A Foreign Ministry [official] said: "It is matter of priority for us to see stability and peace continue, along with the status quo. We prefer to solve disputes through negotiations."

He said this in a written statement released by BERNAMA last week when asked to provide information on Vietnam's reaction to the statement made by Prime Minister Datuk Sri Dr. Mahathir Mohamed.

Dr. Mahathir said the question of the sovereignty of Layang- Layang Island cannot be disputed any longer and other countries should not lay any claims to the island, which is situated off the coast of Sabah.

He explained: "We have repeatedly explained our stand and our guidelines for the peaceful settlement of the dispute regarding the sovereignty of the Spratly and Paracel Islands."

Last Thursday, China blatantly rejected Malaysia's statement by saying that it has indisputable sovereignty over the Spratly Islands and the surrounding waters.

Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam have all laid claim either to the whole or part of the Spratly Islands.

PRC's Rejection of Layang-Layang Claim Viewed

BK0206105995 Kuala Lumpur BERITA HARIAN in Malay 2 Jun 95 p 10

[Editorial: "Layang-Layang: China Is Aggravating the Situation"]

[FBIS Translated Text] Up to now, no decision has been reached by China, Brunei Darussalam, Vietnam, Taiwan, the Philippines, and Malaysia regarding overlapping claims on the disputed cluster of islands in the South China Sea. Apart from an agreement to hold negotiations, the possibility of bringing the Spratlys question to the International Court for settlement was discussed. The disputing sides also agreed in principle that the best method for settlement is to develop jointly the disputed islands situated about 360 kilometers from South Vietnam, including exploration for valuable minerals.

Despite the continuous dispute over claims for the Spratly Islands, either wholly or in part, it is evident that a claim on Layang-Layang Island was never made at all. This is because all parties were aware that Layang-Layang Island is situated within Malaysia's Exclusive Economic Zone (EEZ). The truth is that Layang- Layang Island, which is situated 160 kilometers from the Sabah coastline, is indisputably the country's territory — geographically or historically — in keeping with the country's maritime history.

As such, over the last few years, Malaysia has made several efforts to develop the 6.5 kilometer island into a tourist destination. A local well-known company was commissioned to develop the tourist industry given the marine attractions there. A local private airline conducts two flights daily to the island via Kota Kinabalu. For the sake of maintaining peace on the island, the Malaysian Government established a Royal Malaysian Navy base (TLDM) on the island.

However, we were surprised at the statement made by Beijing through a Chinese Embassy spokesman which stated that the country completely rejected Malaysia's stand and that the latter has jurisdiction to take Layang-Layang Island under its administration and develop the island. According to the spokesman, China has the right to administrate the whole of the Spratly Islands group, including surrounding waters. This statement was in reply to a statement made by Prime Minister Datuk Sri Dr. Mahathir Mohamed where he stressed that Layang-Layang Island belongs to Malaysia.

We hope that the differences of opinion will not lead towards another dispute because this is not how Malaysia deals with diplomatic issues. We have always been optimistic that negotiations are the best method to settle any dispute. Our foreign policy is truly clear. We want to have good relations with all countries.

We do not want Malaysia to be considered a small, hard-headed, and greedy nation. Considering our country's firm and vocal call for peace, solidarity, and actions to be taken on a moderate course, we also do not want our image to be smeared and our relations with other nations affectd. Likewise, China also previously declared its openness and willingness to establish closer relations with all nations, including its foes. We feel apprehensive that China's strong voice over this claim can send wrong signals to the international community. On the other hand, China does not want its claim on Layang-Layang Island to be misunderstood as an effort to widen its influence, which could lead to anxiety and threaten regional security.

Several years ago, the Chinese parliament took a daring step by passing a set of laws, which was simultaneously enforced, stating that it has the right to rule the Spratly Islands. Apart from this, Beijing started to strengthen its military forces on several of these islands. We feel dissatisfied that the virtuous desire to hold negotiations is still overshadowed by obstinacy and a secret desire to grab the whole of the Spratly Islands, including a continuous military build-up. As for us, China is still masquerading itself through its statement that it was still maintaining a tolerable stand while quietly sending its Navy personnel to patrol the region.

Should China still persist with this attitude, then the reality of reaching a settlement is truly bleak, what more to bring an end to the old issue on the claim to the 33 disputed islands and coral atolls. As for Malaysia, all countries disputing the issue should take into account and give priority to regional security to avert any open conflict that could prove to be unbeneficial to all sides and which could also lead to indirect involvement by certain major powers. In fact, the chances of further inflaming the dispute is constantly present. However, tension can be reduced through a careful manner only if every side has mutual trust and makes solidarity a priority.

Mahathir Comments on Alleged Australian Bugging

BK0206000395 Kuala Lumpur THE STAR in English 31 May 95 p 3

[Report by Stephen Then, Nick Leong, and Shamsul Anwar]

[FBIS Transcribed Text] Hulu Terengganu — Malaysia will carry out electronic "sweeps" of its diplomatic missions to put a stop to spying by foreign espionage organisations.

Prime Minister Datuk Sri Dr Mahathir Mohamed said yesterday the government would take steps to protect Malaysia's interest and prevent her missions from being "bugged" by parties "who have no respect for their guests."

"We will take the necessary steps to stop this spying. We will carry out electronic sweeps to make sure no devices are planted there" he said when commenting on a report that Australian secret agents had placed bugging devices in foreign embassies, including Malaysia's, to spy on their activities.

Dr Mahathir, here to inspect development of Kenyir Lake, said he was not surprised if the report was true.

"This is nothing new. Australia is always like that. If they do such things to others, there is nothing wrong, but if they were to be spied upon, they will take offence," he said.

He related an incident during his visit to Australia when he was warned of such activities.

"While staying in a hotel there, I was warned by our embassy staff not to talk about sensitive things because they were sure the room I was staying in was bugged.

"I did not complain. That is how they (parties responsible for the spying activities) normally treat their guests," he said.

A Reuter report quoted THE SYDNEY MORNING HERALD as saying that Australia had conducted widespread spying on the Japanese embassy in Canberra as well as surveillance and eavesdropping operations on other embassies, including those of Malaysia, Indonesia, Iraq, Russia, and Iran.

Foreign Minister Datuk Abdullah Ahmad Badawi expressed concern and said "friendly countries do not spy on each other."

"We have a good and friendly relation with Australia. Therefore, spying is unnecessary.

"However, if the report is true, then it can only be construed as unfriendly on the part of Australia," he told reporters in Kota Baru, and added that if such is the case, then Wisma Putra [Foreign Ministry] would formally protest.

UMNO [United Malays National Organization] Youth, meanwhile, urged the government to take drastic measures including severing ties if Australia was guilty.

International bureau executive secretary Mustapha Yaakub said spying showed blatant disrespect for Malaysia's sovereignty.

"It is not a small matter as an embassy in a foreign land enjoys diplomatic immunity and is accorded a status as if the embassy is located on its own land.

"By such an understanding, the act of spying on our embassy is equivalent to encroaching into our country and the act should not be taken lightly," he said yesterday.

Australian High Commissioner to Malaysia John Dauth, when contacted, said he was not authorized to comment on matters pertaining to security.

Embassy Asked To Report

BK0106151095 Kuala Lumpur BERITA HARIAN in Malay 31 May 95 p 2

[FBIS Translated Excerpt] Kuala Lumpur, Tue — The Ministry of Foreign Affairs has instructed the Malaysian High Commission in Canberra to send a preliminary report in connection with reports that Australian Government agents had been spying on the embassy to intercept official secrets.

Tan Sri Ahmad Kamil Jaafar, secretary general to the Ministry of Foreign Affairs, said it was important to see the preliminary report first before the government resorted to any action. This is because it involves the interest of the nation.

Ahmad Kamil said the Ministry of Foreign Affairs had requested a preliminary report before a comprehensive one could be submitted, as it would take a long time for the report to be completed. Besides, a Kuala-Lumpur based official would probably be sent to Canberra to assist in the investigation.

"It would take a long time for a full investigation to be completed because the spies certainly used modern technology for their task," Ahmad Kamil told BERITA HARIAN today. Ahmad Kamil was responding to reports from Canberra saying that Australian Government agents had been spying on a number embassies, including Malaysia, to intercept confidential trade and diplomatic information. [passage omitted]

Ahmad Kamil reiterated Malaysia's stance, which views the spying activities seriously, and will lodge a strong protest to the Australian Government if they are proven true.

He said that if the reports are true, Malaysia will try to resolve the issue through diplomatic channels in the spirit of friendly nations.

Datuk Zainal Abidin bin Hashim, Malaysian High Commissioner to Australia, was on a working visit to Sydney and was not available for comment.

However, the Malaysian High Commission's spokesman said Datuk Zainal Abidin yesterday dispatched a self-written letter to the Ministry of Foreign Affairs in Kuala Lumpur. He said the letter was just a brief note to inform about the actual situation in the High Commission in Canberra.

The spokesman said: "To our knowledge, Zainal Abidin had written a letter to the Ministry of Foreign Affairs explaining about the newpaper reports.

"So far, only Zainal Abidin is in contact with Kuala Lumpur to handle the matter. We have to refrain from making any comment to maintain good ties with Australia," he added.

It was understood that the Malaysian High Commission in Canberra was not the main target of the spies like that of the embassies of Japan and China. [passage omitted]

Australia's 'Infamous' Espionage Activities Noted

BK0206095395 Kuala Lumpur BERITA HARIAN in Malay 1 Jun 95 p 8

[Editorial: "Australia Is Afraid of Shadows"]

[FBIS Translated Text] Normally, Australia would strongly deny its involvement in an espionage case despite the confession of its agents. Australia would claim that it has been used by many countries for espionage activities. We are convinced that it was for the purpose of self-defense that the Australian Intelligence Security Organization (ASIO) in its 1994 annual report last October accused several Asian governments of making Australia a target of espionage, including efforts to obtain weapons technology. To corroborate these allegations, the ASIO claimed that the organization had identified a number of professional scientists who had cooperated in spying activities for the interests of foreign governments.

Nevertheless, we have not forgotten an incident that occurred in February last year when Canberra was under strong internal pressure to conduct a judicial inquiry into the country's intelligence agency after two former agents alleged that Australian spies were used by the British intelligence agency, M16, to install bugging devices in Hong Kong to obtain political and commercial information on China. In an interview with the Australian Broadcasting Corporation (ABC), the two former agents also alleged that the Australian Secret Intelligence Service (ASIS) had made a secret payment to rebel Philippine military officers following an abortive coup against the government of President Corazon Aquino in 1987. More surprisingly, the ASIS was allegedly used by Britain to install bugging devices at the offices of Kuwaiti Government officials after the Gulf war. ASIS has also been accused of having secret relations with thousands of Australians who can be indirectly used for espionage activities. Even worse, a CIA agent was allegedly offered the task of assassinating an Australian diplomat in Cairo because the [Egyptian] authorities knew his identity as an Australian spy.

Australia has not even exempted its neighbors from the dirty scheme that it calls a strategy. In December 1993, spy Wendy Holland, who was in her 40's, confessed that she had been assigned by the Australian Government to spy on the General Headquarters of the New Zealand Police to obtain secret records of the country's senior police officers. Holland, who became an ASIO agent at the age of 19, was sent to New Zealand to join a student association before working as a records clerk at the police general headquarters. She revealed that she carried a small camera tucked into her blouse or attached to her thigh to snap necessary records. Accordingly, it is only natural that we are on alert following yesterday's report that Christian Vogge, an Australian student, is trying to poison the thinking of aborigines at the National Park in Pahang.

In early 1994, the daily SUNDAY TELEGRAPH reported that some Malaysian opposition leaders had received bribes from the ASIS in return for information on the way the government was administered. However, an investigation into the allegation could not be continued because the Australian Government refused to cooperate with the Malaysian authorities over the matter.

Based on the various allegations and confessions by the former and current agents, Australia has in fact been infamous internationally for conducting many espionage activities. A tree will not shake if there is no wind. Accordingly, we were surprised at the SYDNEY MORNING HERALD report earlier this week that several foreign embassies there, including the Malaysian Embassy, had become the targets of Australian spies for the obtaining of commercial and diplomatic information. Prime Minister Datuk Sri Dr. Mahathir Mohamed himself admitted that the Australian action was not new because it had become the Australian way and he himself had experience of it.

We admit that such activities are not new in international politics. Although the latest allegation has yet to be proved, it has, however, given Australia a bad image internationally. We attribute its action, if proven, primarily to its envy, jealousy, and distrust of Malaysia.

We agree that it will be impossible to curb such activities and that they will even increase in the next century because of the rapid development of information technology and satellites. Nevertheless, we believe that such espionage activities are not conducive to proper and harmonious relations with other countries. We believe that espionage activities exist everywhere. Nevertheless, if such activities are too frequently exposed, one possible reason for this is that they have been excessively engaged in.

Bosnia-Herzegovina Prime Minister on Visit

Met by Foreign Minister

BK0106044295 Kuala Lumpur RTM Television Network 1 in Malay 1200 GMT 31 May 95

[FBIS Translated Text] Haris Silajdzic, prime minister of Bosnia-Herzegovina, arrived in Kuala Lumpur today for a two-day visit. Upon his arrival at the Kuala Lumpur International Airport in Subang, he was welcomed by Foreign Minister Datuk Abdullah Ahmad Badawi; Tan Sri Ahmad Kamil Jaafar, secretary general to the Ministry of Foreign Affairs; and Ibrahim Kovic, charge de affairs of the Bosnian Embassy in Kuala Lumpur.

Silajdzic is scheduled to meet with Prime Minister Datuk Sri Dr. Mahathir Mohamed at the Prime Minister's Department tomorrow. The two leaders are expected to discuss the current situation in Bosnia.

Malaysia has pledged its willingness to assist the Bosnian people in facing Serbian aggression.

Discusses Medical Aid With Mahathir

BK0106142495 Kuala Lumpur RTM Television Network 3 in Malay 0530 GMT 1 Jun 95

[FBIS Translated Text] Kuala Lumpur will immediately send to Bosnia humanitarian aid, including medicine and medical equipment, which is badly needed by the people. Bosnian Prime Minister Dr. Haris Silajdzic made the request for critical aid during a meeting with Datuk Sri Dr. Mahathir Mohamed.

[Begin recording] [Unidentified correspondent] Silajdzic, who arrived in the nation's capital last night for a two-day working visit, called on the prime minister at his office this morning. During the hour-long meeting, the Bosnian leader briefed the Malaysian prime minister on the latest situation in the Balkans. Foreign Minister Datuk Abdullah Ahmad Badawi, who attended the meeting, said Dr. Silajdzic presented a list of badly needed medicine to alleviate the sufferings of his people. Datuk Sri. Dr. Mahathir promised to send the aid as soon as possible. In addition, the prime minister revealed that the Malaysian battalion will remain in the Balkans, although Kuala Lumpur has withdrawn its observers from the region. Silajdzic is scheduled to leave for Brunei this evening.

[Abdullah] ...Haris Silajdzic informed our honorable prime minister about the current situation in Bosnia-Herzegovina that seems to be deteriorating. According to him, it is important that friendly countries continue to extend all kinds of aid, cooperation, and support to Bosnia-Herzegovina.

[Unidentified reporter] Meanwhile, at the Carcosa Seri Negara, Silajdzic thanked the prime minister and the Malaysian Government for their continued support and cooperation. He said that such support and cooperation are still needed. According to Silajdzic, economic and trade cooperation between Malaysia and Bosnia- Herzegovina will be enhanced. Thus, Bosnian companies have been urged to invest in Malaysia. Silajdzic added that the Croatian Government is also expected to establish trade relations with Malaysia.

[Silajdzic, in progress, in English] ...We also emphasized the importance of the companies and organizations from the Republic of Croatia to come here and work alongside with the Bosnian companies in Malaysia. [end recording]

Condemns Arms Embargo

BK0206005895 Kuala Lumpur RTM Television Network 1 in Malay 1200 GMT 1 Jun 95

[FBIS Translated Text] The international community has committed a grave error by denying the people of Bosnia-Herzegovina the right to self-defense. Bosnian Prime Minister Haris Silajdzic said that the arms embargo will not bring peace but has led to continued killing and destruction in Bosnia-Herzegovina.

[Begin Silajdzic recording, in progress, in English] ...hope that lifting of it will bring peace. And it's quite clear now that the balance of power only in Bosnia-Herzegovia will bring peace because the international community is not ready, is not ready to step in and carry out its resolutions there. This is our problem, so we say that the international community [words indistinct]. [end recording]

Mahathir Comments on Situation in Bosnia

BK0206012295 Kuala Lumpur NEW STRAITS TIMES in English 31 May 95 p 1

[Report by Rosli Zakaria and Manisah Ismail]

[FBIS Transcribed Excerpt] KUALA BERANG, Tues. — Malaysian peacekeepers will stay put in Bosnia despite the renunciation by the Serbs of its treaties with the United Nations and talk of troop evacuation by Western powers, Datuk Sri Dr Mahathir Mohamed said today.

"Our presence there helped boost the morale of the people of Bosnia who believe no one else has shown sympathy to their plight," the Prime Minister said.

However, he said, orders have been given to 27 Malaysian military staff who are UN military observers (UNMO) to withdraw and report to the Malaysian Battalion (Malbatt) Headquarters in Konjic.

"We have given instructions that no one must allow themselves to be captured by the Serbs. We don't know if we can avoid (being captured), but instructions had been given," he added.

Dr. Mahathir was speaking at a news conference at the end of his half-day visit to Tasik Kenyir [lake].

Earlier, he attended a briefing by Gadek Berhad [Company Limited] chairman Datuk Yahya Ahmad and Central Terengganu Development Authority general manager Wan Razak Ismail. Also present was Menteri Besar [chief minister] Tan Sri Wan Mokhtar.

Meanwhile all 27 military observers had arrived in Konjic, a Malbatt Headquarters spokesman told the NEW STRAITS TIMES in a telephone interview from here.

Malaysia has 1,533 Malaysian peacekeepers based in Konjic, Visoko, Pazaric, Jablanica in Bosnia-Herzegovina and Split in Croatia. It has 27 military staff who are assigned as UN military observers. [passage omitted]

Dr. Mahathir said one reason why the military observers were captured was because they tried to save themselves when confronted by the Serb forces.

"And when they are captured, the UN will give this as a reason for not attacking Serb forces. Actually, it's useless. We have observers who became a problem to us.

"They (the observers) are not observing the mistakes made by the Serbs. Even when the Serbs make mistakes, they cannot do anything."

Given the recent turn of events with the Serbs taking advantage of the lightly-armed international peacekeepers as hostages, he wondered if "those running the peacekeeping operations understand their job."

He said these people failed to understand that terrorists like the Serbs cannot be handled with a "velvet glove" because "they only understand the use of force."

"But the UN still wants to negotiate and has been unwilling to fight the Serbs. If this is the case, they should just give the weapons to the Bosnians and let them defend themselves."

On a REUTER report today quoting the Sydney MORNING HERALD, a morning daily, that the Australian intelligence services had put several foreign missions including the Malaysian High Commission under surveillance, Dr. Mahathir said this was nothing new.

"Australia is like that. It's all right for them to do such a thing but it's definitely wrong if we do it."

In fact, he was told by the Malaysian Ambassador during a visit to Australia some time ago not to discuss any sensitive matters in his hotel room as the former feared the premises might be bugged.

"This is the way they treat their guests. But I am not complaining," he said, adding the Government would normally conduct an electronic sweep to ensure there were no bugging devices in the Malaysian mission.

In Kota Baharu, Foreign Minister Datuk Abdullal Ahmad Badawi said there was no reason for Australia to engage in such surveillance and eavesdropping operations against foreign missions in Canberra.

"Australia and Malaysia have good relations. There is no reason why such spying activities should be conducted on our embassy," he told reporters here.

"However, if the report is true, I regard it as an unfriendly act and we will certainly lodge a strong protest. I will write to (Australian Foreign Minister) Gareth Evans demanding such acts to be stopped immediately," said Abdullah.

Cambodia

Cabinet Views Debts, Flood Prevention Measures

BK0106150895 Phnom Penh National Radio of Cambodia Network in Cambodian 0200 GMT 1 Jun 95

["Press communique" issued by the office of the government spokesman in Phnom Penh on 31 May]

[FBIS Translated Text] A Council of Ministers plenary meeting was held at the Council of Ministers office at 0830 on 31 May under the chairmanship of Samdech Hun Sen, second prime minister of the Royal Government of Cambodia [RGC], to discuss:

1. Legislative procedures for repaying Cambodia's past foreign debts.

2. Measures to prevent floods.

After a close discussion and an exchange of views on these matters, the cabinet decided in principle as follows:

On foreign debt repayment, in principle, the RGC is willing to recognize Cambodia's foreign debt incurred with a number of countries in the past. It has assigned the Ministry of Economy and Finance to work in collaboration with the National Bank of Cambodia on the nature of the debts, the amount, and legislative procedures to properly settle them with each contracting party. The findings are to be submitted to the heads of the RGC for a decision.

On the flood prevention issue, in light of the RGC's policy to prevent natural disasters, the cabinet heard the report presented by the Ministry of Agriculture, Forestry, Wildlife, and Fisheries on measures and suggestions to prevent floods. The cabinet agreed with some urgent measures to be taken and has decided to finance the restoration and repair of a number of dams and canals proposed by the Ministry of Agriculture, Forestry, Wildlife, and Fisheries. The cabinet also agreed with the methods of financing these flood prevention measures, including top emergency measures to be directly funded by the state budget, moderately urgent measures to be funded partly by the state budget and foreign aid, and long-term measures to be funded entirely by foreign aid.

As part of an immediate and urgent solution, the cabinet has incorporated the Prek Thnaot hydroelectric dam project into the five-year plan that will soon be submitted for government discussion.

The meeting ended at 1300 in a spirit of unity and with a high sense of responsibility.

Phnom Penh, 31 May 1995

Guerrillas Claim Poipet Fortification Destroyed

BK0106093995 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 31 May 95

[FBIS Translated Text] At 1200 on 27 May the army and the people jointly attacked a battalion position of some two-headed soldiers at Mong Chen and completely destroyed the fortification defending Poipet market in the east. As a result, we killed 10 two-headed soldiers and wounded 50 others, 36 of them seriously. We destroyed 10 military barracks, one 60mm mortar, 10 AK's, three B-40 and B-41's, a heavy-duty field radio, and five motorcycles. We also seized a large quantity of war materiel.

Rebel Radio Claims Australia Spying for U.S.

BK0206045295 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 1 Jun 95

[FBIS Translated Text] It has been reported that Australia has sold itself to serving the United States by placing bugging devices in the Chinese, Japanese, and Indonesian Embassies, as well as in those of other countries, in Canberra, Australia.

This report has caused great anger to the governments and people of the said countries, the people in the region, and even the Australian people themselves.

Public opinion in general holds that it is all a result of hooligan Gareth Evans' foreign policy, a policy of using the law of the jungle and encroaching upon the sovereignty of other countries and people without heeding anything — either international norms, the UN Charter, or the convention on diplomatic relations.

This event has caused the people in the region and the world as a whole to more clearly discern Australia's policy and activities in serving as the henchman of the United States in Asia and the Pacific.

People have clearly seen this fact and have condemned Australia as a U.S. toady who kisses communist Vietnam's ass and as a ringleader of the war criminals in Cambodia who destroyd the Paris agreement, national reconciliation, and peace and have continued kindling the war until today.

ASEAN officials have said that, well aware of this fact, ASEAN refused to allow Australia to attend the ASEAN-EU summit meeting to be held in Bangkok at the beginning of next year.

As for the two-headed traitors who are puppets of Australia, they are in an even worse position. People everywhere in the world hate them, spit on them, and reject them.

Indonesia

Turkish President Demirel on Official Visit

Arrives With Wife

BK2905064295 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 29 May 95

[FBIS Translated Text] The state guest, President of the Republic of Turkey Suleyman Demirel, who arrived in Indonesia a while ago, is currently paying a courtesy visit on President Suharto at the Merdeka Palace, Jakarta.

The Turkish president, who is accompanied by his wife Nazmiye Demirel and delegation, will be in Indonesia for three days and will hold talks on economic and political issues with Indonesian leaders and also sign several protocol agreements on agriculture.

Suharto Hosts Banquet

BK3005011795 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 30 May 95

[FBIS Translated Text] President Suharto has called on the international community to jointly develop a world trade order that is more just and balanced and that guarantees peoples' well-being. According to the head of state, developed nations are still benefiting from significant reforms that are currently taking place around the world while their developing counterparts are still shackled to poverty and backwardness.

President Suharto stated this during a banquet hosted in honor of the President of the Republic of Turkey, Suleyman Demirel, at Istana Negara [State palace] in Jakarta last night.

He said the developing nations' progress was stymied because of limited financial resources and the lack of technological knowledge and qualitative human resources. Given such a state of affairs, Indonesia as the leader of the Nonaligned Movement, was able to improve the South-South cooperation. According to President Suharto, apart from improving cooperation among the developing nations, Indonesia is continuously making efforts to hold constructive dialogues with developed nations based on mutually beneficial partnerships.

Meanwhile, along with the other members of the Islamic Conference Organization, Indonesia is continuously developing a new world trade order that is free from conflicts, poverty, intolerance, and injustice.

Discusses Bosnia With Suharto

BK3005155695 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 30 May 95

[FBIS Translated Text] Indonesia and Turkey have agreed jointly to monitor closely the latest developments in Bosnia and will make efforts to provide input toward settling the conflict in the country. The agreement was among one of other agreements reached during talks held between President Suharto and his state guest, Demirel, president of the Republic of Turkey, at the Merdeka Palace this morning.

Speaking to reporters after the talks between the two leaders, Minister/State Secretary Murdiono explained that the talks between the two presidents was conducted in a transparent and cordial manner. Their discussions centered on bilateral, regional, and international issues.

The Turkish president noted Indonesia's clear stand in the Asia-Pacific region and President Suharto explained in detail Indonesia's role and its participation in creating world order.

[Begin Murdiono recording] Indonesia feels that it is important to be involved in the Asia-Pacific region. The two leaders viewed the importance of the development of Islam to increase trade activities, particularly between Indonesia and Turkey and the other OIC [Organization of Islamic Conference] members. The president explained Indonesia's role and participation in promoting peace and upholding social justice. In this context, the president gave an explanation of the Nonaligned Movement's (?direction) regarding the APEC [Asia-pacific Economic Cooperation]. [end recording]

Taking the opportunity, the Turkish president, Suleyman Demirel, also extended greetings to the Indonesian people on the occasion of the country's 50th anniversary.

A parallel meeting on economic and political issues was simultaneously conducted between high-ranking officials of the two countries as President Suharto and the Turkish president were holding their talks.

Comments on Meeting

TA3005185395 Ankara TRT Television Network in Turkish 1700 GMT 30 May 95

[Statement by President Suleyman Demirel to a TRT correspondent in Jakarta on 30 May — recorded]

[FBIS Translated Excerpt] This morning, I met with President Suharto for approximately two and a half hours. It was a tete-a-tete. We discussed very important things concerning our bilateral relations. We reiterated that we are determined to further develop our bilateral ties. Both the goodwill and the political will for that exist.

Turkey and Indonesia are friendly countries. Their friendship is based on brotherhood first, but it also involves mutual interests. The reason for our visit: This is a country with a population of 200 million. Approximately 90 percent of the population is Muslim. It is a big country in the Asian Pacific, which is on its way up. It is a like a door or a window for us to the Asian Pacific. Similarly, our country is like a door that opens to Europe and to the countries around us for Indonesia.

There are no political problems between us. We cooperate both in developing our bilateral ties and regarding world issues. We cooperate in connection with Bosnia-Herzegovina and Azerbaijan. Turkey and Indonesia are two important members of the Organization of the Islamic Conference. We cooperate within the framework of ISEDAK [Organization of the Islamic Conference Economic and Commercial Permanent Committee], which convenes yearly and which is headed by the Turkish president.

With this visit, we tried to add momentum and new dimensions to our relations, which date way back. It was a very good meeting. [passage omitted]

KADIN Official Discusses Ties With Turkey

BK3105075995 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 31 May 95

[FBIS Translated Text] Indonesia can gain special benefits from Turkey's access to Europe in shipping its exports to the European Union. Speaking after attending a luncheon with the Turkish president, Sudrajat, head of the KADIN's [Indonesian Chamber of Trade and Commerce] committee for the Middle East, said the special benefits can be felt because Turkey's textiles exports to Europe are not running at a high level. Apart from textiles and textile products, Indonesia can take advantage of its partnership with Turkey to market its footwear and timber exports to the European Union.

Sudrajat also stressed the importance of cooperation between the two countries toward acquiring several projects in the Middle East. This is because the Middle Eastern countries place their trust in Turkey's efficient and credible administration in carrying out development projects.

Foreign Minister Alatas Comments on East Timor

BK3105131095 Jakarta ANTARA in Indonesian 1622 GMT 30 May 95

[FBIS Translated Text] Jakarta, 30 May (ANTARA) — Foreign Minister Ali Alatas has written a letter to the editor of the "FAR EASTERN ECONOMIC REVIEW" (FEER) concerning an article entitled "Alatas's Albatros" written by a former Fretelin [Front for an Independent East Timor] leader, Ramos Horta, which was published on 18 May by the magazine.

Replying to reporters in Jakarta on Tuesday on the issue, Alatas said: "I have just written to the editor of the magazine. In its content, I said that Ramos Horta has been fantasizing since some time ago but lately his fantasies have become more pronounced."

In his letter, Alatas also stated that Ramos Horta deliberately distorted the facts regarding the East Timor issue.

In the article published by the magazine in its "The 5th Column", Ramos Horta, among other things, wrote that had it not been for Indonesia's occupation of East Timor, Foreign Minister Ali Alatas would have become the UN secretary general.

Horta wrote saying that "However, his ambition (to become the secretary general) in 1992 faded because of the East Timor issue. Ali Alatas will have another chance within the next two years. However, it would be shameful if Ali Alatas was selected to become the UN secretary general as long as East Timor was still under military occupation."

Considering such a remark, Alatas said: "It was Ramos Horta who distorted the facts saying that I nominated myself for the position of secretary general three years ago but failed because of the East Timor issue. It was not because of the issue that I did not nominate myself for such a position but according to principles, I did not want to compete with the candidate from Africa." He made the statement in reference to Egypt's nomination of Butrus Butrus-Ghali three years ago.

He also stated that he will not want be nominated for the position of the UN secretary general during the next two years.

Suharto Discusses Implementing UN Resolutions

BK0206111195 Jakarta ANTARA in Indonesian 0609 GMT 2 Jun 95

[FBIS Translated Text] Jakarta, 2 Jun (ANTARA) — President Suharto has reiterated that all resolutions of the UN Security Council and international regulations must be well implemented by all countries.

"We have contributed to efforts to settle various problems that Kuwait is facing as a result of the Gulf crisis. The problems include an exchange of prisoners of war and the demarcation of the border," the president said at Merdeka Palace on Friday.

Speaking after receiving the credentials of Kuwaiti Ambassador Jasim Mubarak Jasim al-Mubaraki, the president said that all resolutions of the UN Security Council must be well implemented.

The resolutions must be truly implemented for the sake of peaceful coexistence.

At the same venue, the head of state received the credentials of Polish Ambassador Krzysztof Byrski. On the occasion, President Suharto said that Indonesia welcomed Poland's successful shift into a parliamentary democracy and a market economy.

"I hope that future cooperation between our two nations will be further enhanced. I see many opportunities to enhance cooperation, particularly in the fields of economy, trade, and science and technology," the president said.

Dailies Review 23 May Deregulation Package

BK0106150695

[FBIS Editorial Report] Three Indonesian-language dailies — REPUBLIKA, KOMPAS, and SUARA KARYA — carry analyses and a feature respectively on the deregulation package announced by the government on 23 May.

Jakarta REPUBLIKA on 29 May, carries an 800-word analysis on page 1 entitled "The Follow Up to the 23 May Deregulation Package" by Didik J. Rakhbini, economic observer and post graduate studies lecturer. Replying to Keith Loveard, ASIAWEEK correspondent, Didik says, "Indonesia's economic system is inherited from the past. It is highly distorted and has acute problems (ASIAWEEK, 26 May 1995). Accordingly, the system cannot be simply redressed by a series of ordinary deregulation packages, even though the policy is considered progressive."

Continuing, Didik says there is a need for political and economic reforms as a follow-up to deregulation in the real sector because the policy is not comprehensive. This means the people's representatives should be asked to formulate an economic law.

Didik also notes that the deregulation policy is the logical consequence of an outward-looking open economic policy. An open economic system tied to the international economy is sensitive to international economic and monetary changes. A change in the yen's exchange rate has put pressure on Indonesia's foreign debt and the flow of its exports has not been as rapid as the appreciation of the Japanese yen.

Didik adds: "Observers, academics, and economists have never doubted the series of economic deregulation packages introduced in the past several years. The policy has been successful in shifting the country's exports from oil to nonoil and nongas commodities. Indonesia had managed to overcome the economic crisis of the 1980's."

Didik concludes: "The contents of the 23 May deregulation package is similar to the previous packages. They have indirect implications on the trend toward business restructuring, like the reduction of tariffs and the speedier processing of permits. However, the economic and political interests of a certain group of people and official malpractice do not seem to be the target of the deregulation policy. A law with deeper economic and political substance should be formulated."

Jakarta KOMPAS in Indonesian on 29 May publishes a 850-word analysis entitled "Measuring the 23 May Deregulation Package" by economic analyst Kwik Kian Gie on page 1.

Kwik says: "Each time the government announces a deregulation package, there are more negative than positive comments from the people. The 23 May deregulation package has received the same response. The people do not seem to be thankful to the ministers who have struggled and worked hard to fulfill their aspirations."

The analyst also notes with interest the editorial in the 26 May 1995 issue of KOMPAS entitled "Is the Recent Economic Deregulation Package Adequate?"

Kwik continues: "The ministers have to fight and "quarrel" with one another to lead the nation and the people toward true progress. Therefore, no matter how disappointing the outcome of their struggle, it should be appreciated".

Kwik says the ministers concerned should not feel condemned by the people's criticism. Instead, they should see the constructive remarks as moral support for the drafting of more comprehensive deregulation packages in the future.

On the people's disappointment over the latest deregulation package, Kwik explains: "A series of complicated regulations take away people's rights, while serving the interests of a small group of industrialists." He cites some of the rights as the people's right to do business in protected industries and the right to enjoy cheaper prices of goods.

Scrutinizing this deregulation package, Kwik notes that it is comprehensive because it not only reduced the number of tariff posts, but also sets the date and the amount of reductions on certain goods until the year 2003, in accordance with the agreement achieved under AFTA [ASEAN Free Trade Area]. It also eased import restrictions, offered incentives to industries operating in special zones, and revised the negative investment list. However, Kwik asks why the government continues to protect the interest of a certain group of producers by taking away the rights of the people in venturing into industries that are still in the negative investment list.

Kwik adds: "Many people say the government has taken a step backward by adding eight more vaguely-sounding items to the negative investment list. These are the construction of ports; production, transmission and distribution of electricity supply; telecommunications; shipping; clean water projects; railway transport service; nuclear energy; support systems for domestic trade and advertisement".

Concluding, however, he hails the 23 May deregulation on permits for industrial projects and the restructure of industries, saying "It is a very good, and new idea. This deregulation package is a heartening one. Generally, our industrialists have reacted positively and enthusiastically. They will be ready to face competition from other AFTA member countries by the year 2003."

SUARA KARYA publishes a 1,300 word article entitled "The Deregulation Package that Supports the People" by R. Masri Sareb Putra on page 5 of its 29 May issue.

Noting the objective of the 23 May deregulation package, Masri says, "Looking at its substance, this deregulation package can be considered as something new. The previous deregulations were mostly concerned with the fiscal and monetary aspects. As a result, there was an overheating of the economy."

Continuing, Masri stresses: "There is an urgent need to introduce a deregulation package in the real sector, especially within the framework of political and economic affairs. What is more, of late there are allegations that the national economy does not support the welfare of the majority of the people. The government is protecting business conglomerates while neglecting the agricultural sector." Citing an example, he says that the government has never raised the prices of paddy and other agricultural produce, while the prices of cement, pulp and paper, and manufactured foodstuff continue to increase.

Masri adds, "We welcome the deregulation package in the real sector, but considering that Indonesia's economy is dominated by a small group of conglomerates, we are worried whether the new deregulation package can narrow the gap between the rich and poor."

He says: "It is important to issue deregulation packages in the real sector. However, what is more important is to restructure the national economy."

He notes "there is a significant link between the conglomerates that invest in more projects in the country and the government that provides them a certain level of protection. Thus, due to this domination, it is difficult for the medium- and small-scale business to develop," adding that the direct impact of the domination by conglomerates is an overheating national economy.

Continuing, he says: "Conglomerates usually establish cartels, monopolies, and oligopolies. The cloves, orange, and cement monopolies are real proof. Thus, there should be an anti-monopoly law for conglomerates." He adds that the trade monopoly negatively affects the welfare of the people. He cites President Suharto's call to conglomerates to transfer their shares to cooperatives. He admits that "Under the Pancasila [state ideology] economic system, state enterprises or cooperatives are not the sole alternatives to companies. The private sector will also be given room for activities so that they can grow and expand, so long as they do not move into the area where they 'control the people's will to live'." Masri concludes: "In Indonesia, cooperatives are expected to carry out the functions of a democratic national economy. If the cooperatives are managed properly, they can create a concrete base for social justice. Simultaneously, the government should activate a market economy system."

Minister Habibie Envisions Strategic Partnership

BK3105160695 (Internet) INDONESIA Listserv in English 0703 GMT 29 May 95

[Report attributed to science and technology writer Julian Cribb of the Sydney-based newspaper THE AUSTRALIAN, edition of 29 May 95 p 1]

[FBIS Transcribed Text] Australia and Indonesia must forge a strategic partnership in industry, science and technology to meet the needs of Asia in the 21st century, the Indonesian Minister for Research and Technology, Dr B.J. Habibie, said in Sydney yesterday.

In a visit that promises a sea-change in the relations between the two neighbours, the architect of Indonesia's high-tech drive into the future believes that attitudes and conditions are now propitious in both countries for more pragmatic and enduring economic links.

Barely half-way through his tour of Australia's technological hot-spots, the dynamic Dr Habibie has already set the lines to Jakarta sizzling with ideas for partnerships, joint ventures and closer co-operation.

A procession of Indonesian scientific and technological experts is already winging its way Down Under to explore what deals can be done. Two centuries of obstinate cultural isolation on both sides look like being submerged in the joint desire to ride the high-tech rollercoaster into the Asian century. [sentence as received]

Today, the presidents of the academies of science and engineering of both countries will cement the new intent with an agreement on closer research co-operation.

Dr Habibie is famous for his infectious enthusiasm for high technology and 25-year visions, but yesterday he had Australian officials blinking at the scope of the opportunities he envisages: Australia and Indonesia as core partners in an Asian jumbojet aircraft ... as joint venturers in a new biotech beef export trade ... as technical co-operators in steelmaking and clean energy ... as partners in the international supply of military hardware ... as purveyors of medical, environmental, maritime, telecommunications and data-processing products and services to the world.

"In my eyes we have the same vision. There are no controversies, no incompatibilities in that," he says.

And, in Dr Habibie's view, our differences can also bind us: growing respect for one another's cultures as well as common goals in technological progress will help cement the partnership.

"We will work on it together. It will not just come from heaven," he predicts. "But the most important thing is the awareness and the attitude. And today, the awareness is there. Today the condition is given - global, bilateral and regional. Today the technology exists. And today the human resources in Indonesia and Australia exist on the same level."

Technical equality and shared vision, he argues, were fundamental to France and Germany building the Airbus. As the only two countries in the region who meet United States aviation standards, Dr Habibie believes we should form the nucleus of an Asian airbus enterprise. He is much impressed with Australian work on the development of advanced aviation composites.

At the other end of the technology spectrum, Dr Habibie envisages the cattle industry as the heart of a joint high-tech enterprise - Australian breeding technology and genetics paired with Indonesian capital and production to market quality beef to the growing middle classes of Asia.

In defence, the submarine project has clearly taken his eye. "I was very impressed. I did not expect that something like that existed to the south of Indonesia."

The emerging military ties between the two countries could also blossom into joint ventures in defence science and the sale of military hardware, he feels.

"The reason I see this as a possibility is the fact that ... I am convinced Australia will never be a threat for Indonesia militarily. And you are looking at Indonesia now, not as a threat but as a potential partner.

"And this will be strengthened not by talking, not by signing co-operation (agreements) but by doing (by) real co-operation."

Faced with the task of trebling his nation's steel output, Dr Habibie has also instructed his experts to study CRA Ltd's ultra-efficient Hismelt steelmaking technology with a view to a possible partnership.

"The attitude of Australia towards Asia is very impressive, positive and dedicated," he said.

Philippines

PRC Fishermen 'Refuse' Court's Jurisdiction

BK0106045595 Quezon City Radio Filipinas in English 0230 GMT 1 Jun 95

[FBIS Transcribed Text] Sixty-two Chinese fishermen earlier arrested for fishing on Philippine waters refuse to recognize the court's jurisdiction during the arraignment, Wednesday [31 May], for illegal possession of explosives and poison. The fishermen from Hainan island in southern China insisted they never entered Philippine territory. Mak Yun-chui, captain of one of the four fishing boats seized by the Philippine Navy on Half Moon Shoal, said they did not enter Philippine territory and were fishing along Nansha, or the Chinese name for the Spratlys. For refusing to prove to the charges, prompted the court to enter a plea of not guilty on their behalf.

Manila earlier rejected Beijing's demand that the fishermen be freed amid an ongoing dispute over the Chinese occupation of Mischief Reef in the South China Sea being claimed by the Philippines.

No Chinese Embassy officials were present at the arraignment. Mak said their boats were seized by the Philippine Navy and towed to Filipino territory on Ulugan Bay near Puerto Princesa. Mak admitted the fishermen had dynamites but only to protect themselves against pirates. The government alleges that the fishermen were using dynamite to destroy corals and cyanide to catch fish and other marine life by stunning them.

PRC 'Assures' Free Navigation in Spratlys

BK0206110995 Manila THE MANILA CHRONICLE in English 30 May 95 p 4

[From the "Here and There" column by J.V. Cruz: "PROC Assures Free Navigation Across Spratlys"]

[FBIS Transcribed Excerpt] France — The People's Republic of China [PROC] has just given assurance that it has no intention of interfering with freedom of navigation across the Spratly Islands, one of the world's most strategic shipping lanes through which 70 percent of Japan's crude oil imports pass. The assurance was conveyed in Beijing by Shen Guofang, the foreign ministry spokesman. "We hope the ordinary sailing of foreign vessels through the South China Sea," he said, "shall not be adversely affected by the existing disputes" over sovereignty over the islands, which are claimed in whole or in part by China, the Philippines, Vietnam, Taiwan, Malaysia and Brunei.

The Chinese assurance came after a "confrontation" off Mischief Reef between Chinese "fishing" vessels and a Philippine Navy ship taking a contingent of media people to the area to give them a chance to assess the situation for themselves. There were a few tense moments when the Chinese tried to ward off and wave away the Philippine ship which, however, in the triumphalist words of a Filipino general who was on board, "did not blink." The Chinese may have felt afterwards that their behavior could give rise to global fears they wanted to control the sea lanes around the Spratlys too.

Undoubtedly it is the US that is the focus of Chinese concern. Although the Americans have refused to interfere with the competing sovereignty claim over the Spratlys, they have insisted that freedom of navigation should not be hampered or imperiled in any way. "For the Clinton administration, which has sought to stay out of the territorial dispute, the issue of safe passage through the area has become a major concern," one report said. "A key question has been whether China was seeking to extend its sovereignty over the shipping lanes." And American officials, including the commander of US forces in the Pacific, Admiral Richard C. Macke, only last month, have been sounding out the Chinese privately on this question.

The last thing the Chinese want to do is give the US any excuse or justification to meddle in the Spratlys dispute, which could happen if free and safe passage across the area ever became endangered. Thus, the PROC assurance that "its claim to a group of islands in the South China Sea is not meant to impede freedom of navigation or the safe passage of aircraft and other ships of other countries." A western report said "the statement by Beijing is the first to clarify China's claim by separating its territorial dispute with five other countries from international questions of freedom of the seas."

Beijing's earlier position on the issue had been less than reassuring. It approved a law in 1992 that laid down the rules for ships seeking to transit the Spratlys area. That law called for the "immediate eviction of foreign military vessels or vessels owned by foreign governments and used for non-commercial purposes that violate the laws and regulations" of China. Obviously the PROC wants to soften that tough posture and impress other countries with its respect for the international rules that govern freedom of navigation along the world's sealanes. [passage omitted]

Editorials Comment on Spratly Islands' Policy

ASEAN Coordination Favored

BK0106154795 Manila PHILIPPINE DAILY INQUIRER in English 27 May 95 p 8

[Editorial: "Into China's hands"]

[FBIS Transcribed Text] China has indicated that it is aware of these concerns [reference to freedom of navigation in the South China Sea] and last week, the Chinese foreign ministry declared that China's claim to the Spratlys is not meant to impede freedom of navigation or safe passage of aircraft and ships of other countries. "We hope the ordinary sailing of foreign vessels through the South China Sea shall not be adversely affected by the existing disputes," the foreign ministry said.

This assurance, however, does not allay fears that China will stop from further occupation of the Spratlys islets and atolls. Neither does it change China's strategy of confining the resolution of the dispute within bilateral channels. The best hope for the Philippines is to synchronize and harmonize its moves with those of its ASEAN allies. Any unilateral moves by the Philippines that could be seen by China as provocative could only play into Beijing's hands.

'Provocative' Actions Opposed

BK0106114695 Manila PHILIPPINE DAILY INQUIRER in English 27 May 95 p 8

[Editorial: "Twisting Dragon's Tail"]

[FBIS Transcribed Text] The low intensity conflict between the Philippines and China over the Spratlys is heating up beyond comfort. The two countries are confronting each other on two fronts: diplomatic, as well as through acts of brinkmanship on the disputed Mischief Reef, on which China has built permanent structures to assert its territorial claim, and on most of the Spratly chain.

In the diplomatic front, the Philippines raised the issue of China's "creeping assertiveness" in the Spratlys at the recently concluded meeting of senior ASEAN officials in preparation for the ASEAN Regional Forum [ARF] at Brunei in July. It raised the issue against the opposition of China, which takes part in the ARF. China wants to prevent the Spratlys conflict from being "internationalized" — meaning resolved multilaterally by nations which are claiming parts of the Spratlys, as well as those with security interests in the region, such as the United States and Japan. China's aim is to settle the dispute individually and separately with rival claimants. This approach promotes its sovereignty claims over the South China Sea.

China's objections did not prevent the Philippines from introducing the Spratlys in the meeting of ASEAN senior officials. On the contrary, the Philippines got expressions of support from its ASEAN allies whose concern has been raised by the Chinese occupation of Mischief Reef, which is the center of the dispute with China. This will certainly surface again at the ARF meeting in Brunei.

The Philippines should not, however, consider diplomatic support as an encouragement to take unnecessary provocative action that smacks of brinkmanship on the Spratlys. China urged the Philippines to refrain from taking any actions that could heighten tensions over the Spratlys after the Philippine Government organized recently a reconnaissance visit by journalists to Mischief Reef on board Philippine Navy ships. Two Chinese ships intercepted the Philippine warships in a tense confrontation. China has protested the expedition as provocative.

The stalemate on the high seas has, however, aroused the macho instinct of the Philippine Government. Foreign Secretary Domingo Siazon, in apparent attempt to project a tough posture, said this week the government may allow a second media tour of the disputed islands. The first expedition demonstrated that the Philippines, despite its military weakness, is not afraid of China. It did show, however, how decrepit the Philippine Navy is when one of its aging ships developed engine trouble. We give the Navy and the government high marks for raw courage and low marks for military capability.

Having survived the first encounter with the national honor relatively intact, it does not make sense to push Chinese patience too far by staging another show of force — if not will — at the Spratlys. We have made a point, and national interests will not be served further by a provocative act. It does not make sense to twist the dragon's tail to make a point.

The real battle lies in the diplomatic field where the Philippines is winning broader support from its ASEAN allies and from powers outside Southeast Asia who have a strategic interest in maintaining the freedom of navigation in the South China Sea.

Ramos Stresses Navy Modernization

BK0206010695 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 1 Jun 95

[FBIS Translated Text] President Ramos praised the officers and members of the Philippine Navy yesterday during the celebration of its 97th anniversary. President Ramos said the Navy should continue to protect the country's sovereignty and territory to the best of its ability. The president stressed that despite observations by many that the Philippine Navy is the weakest in Asia, naval equipment has gained a priority in military modernization. He added that the Navy has already acquired 11 fast patrol craft and 10 armored commando vehicles.

Along with this, the president said he is against holding another media tour of the Kalayaan Islands [Spratlys]. He warned that such a move would make China more upset.

MILF Reportedly Strengthening Fortifications

BK2905071995 Manila THE MANILA CHRONICLE in English 25 May 95 pp 1, 7

[Report by Eric Garafil]

[FBIS Transcribed Text] The Moro Islamic Liberation Front (MILF) has strengthened the fortifications of its main camp in Barira, Maguindanao, aside from recruiting more men and procuring more arms, according to a military intelligence report.

The report said an aerial reconnaissance photograph showed improvements in the 50-hectare Camp Abubakar near Boldon Town, about 40 kilometers northeast of Cotabato City.

Among the structures within the camp are armories, a hospital, a communications shack, and quarters for MILF guerrillas and even a school.

Trenches interconnect the structures, the report said. The report supports a recent situation update of the Southern Command that the MILF has increased its recruitment efforts and arms acquisition despite an informal cease-fire with the government in force since 1986.

The report also said the MILF leadership considered the buildup necessary if it was to project itself as stronger than the Moro National Liberation Front (MNLF), another organization espousing Muslim self-rule.

The report said the camp can be reached only through a small road from Boldon.

The camp was also said to be the site of the training of about 3,000 recruits on guerrilla warfare, sabotage, and demolition.

Last year, the report said, the MILF brought in 5,000 high-powered firearms and weapons, including mortars and anti-tank guns from landing points in Lanao del Sur, Maguindanao, and Saranggani Provinces.

Led by Hashim Salamat, the MILF has an estimated 7,000 regulars with 7,730 firearms.

The MILF's propaganda chief, however, downplayed the group's capability to mount an offensive against the government, saying its forces have remained dormant for a number of years.

"The MILF does not deny that it remains a major threat to the government, but for years, we have not engaged in any major offensive," said Mohager Iqbal, chief of the MILF propaganda commission.

Iqbal said the Armed Forces Intelligence Group should verify its facts first and understand that the country has been deeply infiltrated by foreign terrorists, Iqbal said.

Armed Forces Chief Comments

BK0106154995 Manila MANILA BULLETIN in English 27 May 95 p 9

[Report by Cena de Guzman]

[FBIS Transcribed Text] The Moro Islamic Liberation Front (MILF) is reportedly strengthening its forces to project the group as a "major threat" to the government, military reports said yesterday.

Military documents disclosed that the MILF has continued to undertake forces and arms buildup, recognizing the need to project itself as a strong faction and be accorded the same treatment as the Moro National Liberation Front (MNLF).

But the Armed Forces of the Philippines (AFP) is not "bothered" with "threat" of the MILF as the extremist group has "contacts" with the government, according to AFP sources.

The document also disclosed that the MILF was monitored to have conducted 22 training activities to some 3,413 recruits, including guerrilla warfare, sabotage, and demolition.

Some 5,050 assorted guns and ammunition in different landing points in Lanao del Sur, Maguindanao, and Sarangani were noted by the military.

Gen. Arturo Enrile, AFP chief of staff, disclosed that the MILF is conducting an "informal negotiation" with the government.

"There is an informal cease-fire with the MILF and the government," Enrile added.

The document also said that the MILF is considered as the "least threat group" in the south compared with the Abu Sayyaf Group and the MNLF.

The document also said that the three extremist groups — MNLF, MILF, Abu Sayyaf Group — continue to threaten the peace and order situation in Mindanao.

But Enrile said that the AFP is exerting all its effort to reduce the threat in Mindanao.

Thailand

Navy Clashes With SRV Ships in Trawler Rescue

BK0206011395 Bangkok THE NATION in English 2 Jun 95 pp a1, a2

[FBIS Transcribed Text] A Royal Thai Navy ship exchanged gunfire with three armed Vietnamese ships which attacked Thai trawlers in disputed waters in the Gulf of Thailand on Wednesday, killing two Vietnamese sailors, the Foreign Ministry said yesterday.

Spokesman Suwit Simasakun said one of the five trawlers was rescued and its crew were safe, but the other four vessels and their crews were still in Vietnamese custody.

He said two Vietnamese sailors who had boarded the O-Navi, which was rescued, were killed and a third was wounded and taken prisoner.

The clash occurred at about 6 pm, 138 nautical miles off the east coast of the southern province of Songkhla.

There were no reports of Thai injuries, he added.

Navy Commander-in-Chief Adm [Admiral] Prachet Siridet yesterday confirmed the sea battle and said it was the Vietnamese side that opened fire first.

The Vietnamese ships had 40-mm cannons but navy officials so far can still not determine whether the ships belong to the Vietnamese navy or a provincial authority, he said.

Prachet, however, said he did not want to lodge any formal protest with Hanoi over the incident since it would spoil the good atmosphere for the ongoing negotiations between Thailand and Vietnam over territorial waters and fisheries.

Suwit said the Foreign Ministry's Director General for East Asian Affairs, Sombun Sa-ngiambut, yesterday summoned Vietnamese Ambassador Le Cong Phung to the Ministry.

Sombun reminded the ambassador of the agreement reached by Thai and Vietnamese deputy ministers in Phuket early this year that fishermen from both countries should be allowed to fish in the overlapping maritime zones, that there should be no military deployments there and no use of violence.

"Sombun informed the ambassador that Bangkok wants Hanoi to return the four Thai fishing boats captured by the Vietnamese warships as soon as possible," Suwit said.

The HMS Khlong Yai coastguard ship was about 10 nautical miles away when the three Vietnamese ships surrounded the five Thai trawlers, Suwit said.

It was ordered to the scene, but when it came within four nautical miles the Vietnamese ships opened fire on it, he said.

The two sides reportedly exchanged gunfire for half-an-hour. The O-Navi, from Samut Sakhon province, was recaptured from Vietnamese sailors who had boarded it. Two Vietnamese were killed and a third wounded.

The O-Navi's engine was destroyed during the fight, but the Navy ship rescued the boat and all 18 fishermen on board. However the four other trawlers were forced to sail to Vietnam by the Vietnamese warships, according to Suwit.

"It is clear that the fighting took place in waters claimed by both Thailand and Vietnam and that Vietnamese warship opened fire on the Thai vessels first,' Suwit said.

"Vietnam is reminded that those grey areas should be free of armed forces and open to fishermen from both countries."

The spokesman said ambassador Le Cong Phung had asked that Thai authorities should provide medical treatment for the injured Vietnamese sailor.

Thailand and Vietnam have held several rounds of talks about their overlapping maritime claims.

'Source' Reports DKBA Border 'Incursions'

BK0106052095 Bangkok BANGKOK POST in English 1 Jun 95 p 8

[FBIS Transcribed Text] Mae Hong Son — The Democratic Karen Buddhist Army [DKBA] and Burmese troops have resumed incursions into Thailand, according to a border source.

The source said about 15 DKBA and Burmese soldiers crossed the Salween River to Sop Moei District on Sunday, burning down a house owned by a Mr Sacha of Ban Siwakher in Tambon Mae Sam Laep.

While retreating they fired about 100 rounds to intimidate the villagers, but did not rob them, the source said.

The incursion has prompted three families to move to Ban Mae Thalu in Tambon Sop Moei and to Ban Huai Pa in Tambon Mae Sam Laep.

On Monday DKBA troops again crossed the Salween River to Komuder in Tambon Mae Sam Laep, robbing villagers and firing 50 shots while withdrawing. Some of the villagers fled to nearby Ban Huai Po.

Mae Hong Son Governor Somchet Wiriyadamrong said he has ordered Task Force-35 to carry out an inspection of the two villages.

Officials To Probe Trespass Charges by Burma

BK0206104795 Bangkok BANGKOK POST in English 2 Jun 95 p 3

[FBIS Transcribed Text] Mae Sot, Tak — Thai authorities have agreed to establish a fact-finding committee to investigate an allegation by Burma that Thai merchants have constructed buildings which encroach on the Moei River along the Thai border, according to a border source.

Representatives from the Interior and Foreign ministries, the departments of Land, Highways and Thai Survey yesterday discussed the issue after inspecting the Thai-Burmese Friendship Bridge under construction across the Moei River.

The meeting, chaired by Interior Deputy Permanent Secretary Pramuan Rutchanaseni, was reportedly held before the Thai-Burmese Friendship Bridge Committee meeting today.

Burma reportedly sent its most recent letter on the allegation last month to the chairman of the local Thai-Burmese Border Committee, Maj-Gen Tharin Sutpana, accusing Thailand of constructing buildings which trespass on the Moei River.

It was reported that the commander of Burma's Southeastern Force Maj-Gen Khet Sein had asked Third Army Region Commander Lt-Gen Surachet Dechatwong about the matter during the 11th meeting of the Thai Regional Thai-Burmese Border Committee in Phitsanulok Province last April.

Both Thailand and Burma had reportedly agreed to hold talks on the construction of the bridge on May 26, but the latter then called the meeting off.

"The Burmese authorities informed Thai officials that the talks on the bridge would not be held as long as the dispute over the invasion remained unsettled," said the source.

According to the source, the meeting resolved that a working committee would be set up to examine the issue in the belief that Burma would understand the matter.

U.S. 'Only Hope' To Force Reforms in Burma

BK0106114895 Bangkok THE NATION in English 1 Jun 95 p A4

[Editorial: "Multilateral effort led by US will force Slorc to behave"]

[FBIS Transcribed Text] Burma has emerged as one of the world's most persistent violators of human rights. Aung San Suu Kyi, leader of Burma's democratic movement and winner of the Nobel Peace prize is now in her sixth year of house arrest. The parliament that was democratically elected in 1990 has never been convened and many of those elected are now in prison.

Hundreds of thousands of Burmese citizens remain exiled from their homes in camps both within Burma and across the border. Residents of Burma from towns and villages across the country have been conscripted by military forces to serve as porters of munitions and equipment in the 40-year civil war between the military and ethnic groups in Burma's ethically dominated border states.

Additionally, Burma has become the world's largest producer of opium and heroin, much of which finds its way to the streets of Europe and North America.

Yet instead of stronger action against the military junta, the State Law and Order Restoration Council or Slorc, we hear of nations moving toward a policy of "constructive engagement" with the regime.

Some have argued that Slorc has been criticized unfairly, pointing to the changes taking place in Burma. The regime they say has begun a dialogue with Aung San Suu Kyi. It has agreed to discuss the concerns of the international community with the UN secretary general. It is negotiating with ethnic armies and says it is willing to cooperate with the United Nations and the US government in eradicating drug trafficking.

We would very much like to believe these things, but unfortunately they are not the present realities in Burma.

On Tuesday, US Congressman Bill Richardson returned from an official visit to Burma and at a press conference held at the Foreign Correspondents' Club of Thailand the same evening, he told reporters "there is serious repression, regression and retrenchment by Slorc in the areas of human rights and democratization since the start of this year." There are strong indications, he said, the Burmese junta will not release Aung San Suu Kyi, nor restart talks with her.

"I was unable to see Aung San Suu Kyi or any political prisoner in Insein jail. There is no commitment to resume a dialog with Aung San Suu Kyi. It is my view that she will not be released by July 19, the sixth year of her anniversary," the visibly angry congressman said. During Richardson's previous two visits to Burma, that access was given to him by Slorc.

There is also a strong possibility that the International Red Cross (ICRC) will be withdrawing from Burma because of Slorc's interference in their work. The ICRC needs to have uninterrupted access to all prisoners, without the presence of anyone, in order to conduct thorough investigations. Lately, according to Richardson, Slorc has laid down demands that the junta's representatives be present when ICRC questions or holds discussions with detainees. This is a clear violation of the Geneva Conventions, to which Burma is a signatory to, and Slorc has to be brought to task for that.

Despite these blatant violations of human rights, the world community seems to believe that little can be done to pressure Burma's ruling junta to improve its human rights record. As Richardson put it bluntly, "If foreign investment continues to pour into Burma without any constructive pressure and dialog on human rights, the cause for democracy in Burma and Aung San Suu Kyi's release will be forgotten, and that's not right."

Rather than oppose the rush to embrace the Burmese junta, US policy makers have wrung their hands with regard to the promotion of human rights in Burma. This feigned impotence may stem from the Clinton administration's clumsy handling of the China-MFN [most favored nation] debate and a subsequent reluctance to become involved in yet another human rights debate in Asia. President Clinton's strong stance on human rights in China collapsed in the interests of improving trade and this blunder seemed to have sent signals to the champions of democracy in Burma to retreat from their previous policy of withholding aid and trade in order to induce Slorc to reform.

At the same time, Asean is continuing to trade, without any compunction whatsoever, with Slorc. As long as the Burmese generals are willing to sell off the country, Asean will be there as eager buyers. Therefore, it's a foregone conclusion now that anything "constructive" will evolve from the regional grouping's so-called constructive engagement with the junta. All in all, it has been only exploitation after exploitation at the expense of the Burmese people.

The only hope now seems to be from the US despite the China-MFN faux pas. For one, Burma does not represent the policy-making challenge that China does and Washington has a range of short-term options that could force Slorc to respect human rights.

Trade and economic sanctions coming alone from the US would not work and because of this, the US has to provide leadership through multilateral efforts to stop the Burmese military junta from behaving like butchers.

Supporting and then leading UN embargoes, like an arms ban to the regime, could be a first option seriously considered.

With the Burmese military junta's reputation for repression unabated, Washington can no longer afford to keep its eyes shut. Slorc has had six years to transfer power back to the people. How much longer are we going to wait?

Minister Defends Constructive Engagement Policy

BK0106115295 Bangkok BANGKOK POST in English 1 Jun 95 p 8

[FBIS Transcribed Text] Acting Foreign Minister Surin Phitsuwan yesterday defended ASEAN's constructive engagement policy toward Burma, saying that pressuring Rangoon would not work.

Mr Surin made the remark in response to a call by U.S. Congressman Bill Richardson (Democrat, New Mexico) for "aggressive engagement" after the constructive engagement policy supported by ASEAN had not produced the desired change in military-dominated Burma.

He said Thailand has been conveying messages and reactions of other countries to Burma's State Law and Order Restoration Council. He also said Bangkok wants to see changes in the neighboring country but that depended on Burma itself.

ASEAN will discuss developments in Burma at its foreign ministers meeting in Brunei next month, he said, noting that Richardson had proposed that democratization in Burma be put on the ASEAN agenda in Brunei.

Mae Hong Son Governor Somchet Wiriyadamrong expressed support for the current policy, saying it is crucial for local people along the border because they are the ones who have contact with people in Burma.

Mr Somchet said to cut off contact with Burma would not improve the situation in the country and Thailand should support Rangoon in opening talks with other ASEAN members and other countries.

Surin Denies U.S. Approach To Pressure Burma

BK3105163895 Bangkok Thai Color Television Channel 9 in Thai 1200 GMT 31 May 95

[FBIS Translated Text] The deputy foreign minister has denied a report about the United States seeking cooperation from Thailand to pressure Burma to free Aung San Suu Kyi.

Asked about a report concerning a U.S. congressman seeking support from Thailand and five other countries, namely Australia, South Korea, the Philippines, India, and Japan, for economic sanctions against the Burmese Government to force the release of Burmese opposition leader Aung San Suu Kyi on 19 July, Deputy Foreign Minister Surin Phitsuwan says there has been no such approach. He says, however, Thailand and ASEAN will not resort to pressure as a tactic against Burma since such a tactic would have a negative impact afterward.

MATICHON Profiles Key Suphachai Advisor

Education, Background Noted

95SE0125A Bangkok MATICHON in Thai 26 Mar 95 p 5

[FBIS Translated Excerpt] The reputation of the young, unmarried doctor, aged 39, is well-known. He says that his real name should be pronounced "Ti-ra-na" not "Tiran" as many people think. "Dr. Tirana Phongmakkhaphat" is an advisor to a deputy prime minister, Dr. Suphachai Phanitchaphak, and has been the person behind the success of many trade talks and many proposals at international meetings. Recently he was the leader in setting up a group of visionary specialists to consider long-term industrial policy aimed at reaching a NAISE economic system or Newly Agricultural-Industrial and Service Economy, which is a new concept based on the principle of maintaining the diversity in the economic system by keeping the production of agriculture, industry and the services in balance and at appropriate levels. He considers this to be a concept for developing the economy in this decade of change called [the decade of paying respects to the world].

Dr. Tirana was the fifth son among nine children of the "Phongmakhaphat" family, who were in the retail trade in the municipal district of Prachinburi Province. [passage omitted]

"When I entered the University in about 1975, I began to get involved in activities and established a group to study economic problems. We studied applied economics in general, and the problems of inflation and international organizations, which were technical matters. I worked very hard. In the period after 6 October we did an analysis of Thai society, which came out as a book entitled *The Thai Economy, Its Structure and Changes*. I was the editor, and I remember that the book sold very well."

After he had completed his bachelor's degree in economics from Chulalongkon University, Dr. Tirana started work at the Industrial Finance Company of Thailand (IFCT). Meanwhile he spared some time to study for his master's degree at the Economics Faculty of Thammasat University.

"When I was studying at Thammasat, I could not escape from activities. I worked in the Economics Society of Thammasat University. During that time people could look for me in two places: if I was not at the library, I would be at the society." When asked about his activities during his leisure time, he said, "I did not have any, I had fun with my work, I did not feel pressured. When I was at Thammasat, my group raised the issue of the military economy for analysis. It was very controversial. Our analysis indicated that the armed forces were involved in the economy with regard to the budget in addition to their other roles outside their sphere. After this was publicized, there were repercussions. The armed forces radio broadcast rebuttals constantly. At the same time the government began to feel that there were people watching government activities."

While he was studying for his master's degree at Thammasat University, Professor Tirana applied to be a professor in the Economics Faculty of Chulalongkon University. Then he won a scholarship to study for his doctorate degree in the United States under the quota for Chulalongkon.

After completing his doctorate in the theory of international trade from the University of Wisconsin, Dr. Tirana flew back from America to become a professor at Chulalongkon again.

He first knew Dr. Suphachai Phanitchaphak in about 1982. "At that time I was studying for my master's degree at Thammasat. When I was writing the book, I asked to include an article by the professor about the Thai economy and its changes and development. Personally I had admired Professor Suphachai for some time both for his abilities and his ideas". [passage omitted]

One part of Dr. Tirana Phongmakkhaphat's life that has been very meaningful has been his work as adviser to the deputy prime minister. He said that when this government's term was over, he will probably return to being a professor at Chulalongkon again, but he wanted to let the specialists who would help in the next government know that it was very important to continue the economic policies, which the present government had adopted. Otherwise Thailand would not be able to adjust quickly to the changing conditions. Professor Tirana's days may appear to be orderly and unexciting in contrast to his many abilities, but in the end our conclusion about this man was that he was "orderly but not ordinary". To find out if this is true or not, you will have to ask the professor himself.

Policy, Priorities Outlined

95SE0125B Bangkok MATICHON in Thai 28 Mar 95 p 17

[FBIS Translated Text] Mr. Tirana Phongmakkhaphat, an adviser to Deputy Prime Minister Suphachai Phanitchaphak, comments on the adoption of economic policy by Thailand. He said since changes were happening very quickly now, we have to evaluate situations beforehand and be flexible according to these situations. It was important that administrators be reasonably knowledgeable about theory. The problem, which is generally encountered now is the lack of civil servants among government officials. As could be seen at important meetings, many times one saw the same faces. The politicians were generally not interested in policy but were more interested in dealing with immediate problems.

Mr. Tirana also said that in the Thai political system the political parties still lacked specialists and so their work lacked continuity especially with regard to the economy. Even in the cabinet there were few economists compared with the needs of the present situation. Many people might consider Mr. Tharin Nimmanhemin or Mr. Wichit Suraphongchai to be economists, but actually this was not the case. Both were administrators and businessmen, not economists.

"With regard to the Thai standard of living there has been criticism that the number of poor people has been increasing while in fact their numbers have not been increasing but the gap between the incomes of the poor and the rich has increased. With its growth, the Thai economy is changing to be more of a system based on exports from the industrial sector while labor is still primarily in the agricultural sector. This trait is not something new; this is similar to the changes experienced in Korea and Taiwan. The way to correct this problem is to adopt policies, which are appropriate and continuing and not just to operate hand to mouth. And when a policy is put into effect, the specialists who will continue the policy in the new government must be made to understand clearly the directions and methods, which have been adopted," Mr. Tirana said.

He also said he was chairman of a group of specialists and visionaries, which had been set up to consider long-term policy. There were specialists from various institutions, includeing Mr. Kroekkiat Phiphatseritham, Mr. Kraiyut Thiratayakhinan, Mr. Warakon Samkoset, Mr. Thammarak Karaphisit, Mr. Surichai Wankeo, Mr. Suchit Bunyabongkan and many other qualified persons had joined the group.

This was done to jointly draft policies aimed at making our economy a NAISE type economic system or Newly Agricultural-Industrial and Service Economy, which would maintain the diversity of production in the economic system by maintaining the proper production balance between the agricultural sector, the industrial sector and the service sector.

"As for the future of the Thai economic system, we cannot give up the agricultural sector, but we may have to reduce its proportion. This does not mean reduced importance. The agricultural sector is an important source of income and trade, which supports various industries especially in the countryside. We would adopt such an economic system to develop the country and become a mixed economy." He said that in the meetings of this working group they had established a broad outline for the Thai economy: it needed to be an economy with diversified production based on the development of human resources and stressing the quality of its goods and services. It needed a very efficient infrastructure and it needed to aim at being environmentally friendly.

Task Force Formed To Turn Deficit to Surplus

BK0206095595 Bangkok BUSINESS DAY in English 2 Jun 95 p 1

[FBIS Transcribed Text] A task force of top government and regulatory officials has been formed to turn the country's current account deficit into a surplus in seven years, the Minister of Finance Tharin Nimmanhemin told a conference yesterday.

Mr Tharin said the task force comprises the director of the fiscal policy office, as well as representatives from the central bank, Exim [Export-Import] bank, the Securities and Exchange Commission and the Ministries of Finance and Commerce.

"The approach to manage the current account deficit is to reduce it gradually and reach a surplus in seven years time," Mr Tharin told a forum on the Thai financial system.

"We want to strengthen the financial system by closing the current account deficit. It will take time in order for it not to have a negative impact on the Thai economy," he added.

The current account deficit is about 5 percent of gross domestic product. It is largely financed through foreign capital inflows.

Mr Tharin said the key to current account deficit reduction lies in cutting the import of capital goods and raw materials for infrastructure and manufacturing while at the same time increasing domestic savings.

He also said cuts in income tax and tariffs as well as public and private sector wage rises have accelerated the import of consumer goods and contributed to deficits in the current account.

Imports of capital goods and raw materials will ease, said the Harvard and Stanford educated minister, as the country's economy becomes more self-sufficient.

Mr Tharin said the Government was encouraging domestic long term savings through the approval of pension, insurance, mutual and cost of living funds.

He told the gathering of finance industry executives that reform of the financial system will also help erode the current account deficit through a more efficient allocation of resources.

Further improvement in the domestic financial system, Mr Tharin said, is dependent on adherence to the five year financial system master plan outlined by the Government earlier this year.

Vietnam

Divers Find Cockpit Radio in MIA Search

BK0206114695 Hanoi Voice of Vietnam in English 1000 GMT 2 Jun 95

[FBIS Transcribed Text] U.S. Navy divers have found part of a cockpit radio believed to belong to a B-52 bomber that crashed into the sea with its crewmen now listed as missing in action. Technicians are analyzing the wreckage to learn whether it came from of two aircraft that collided in the air off the coast of the former South Vietnam in 1970. The underwater recovery is the first of its kind since Americans and Vietnamese began making joint systematic searches for evidence of missing U.S. servicemen in 1988.

Essay Recounts Ha Bac Wartime Achievements

BK0106150495 Hanoi Voice of Vietnam Network in Vietnamese 1400 GMT 28 Apr 95

[Untitled essay by Thanh Tuan]

[FBIS Translated Excerpt] [passage omitted on Ha Bac geographical data and warrior tradition] During the 1965-72 fight against the American aerial war of destruction in the north, in response to Uncle Ho's slogan of Nothing Is More Precious Than Independence and Freedom, together with the armed forces and people of the north, the armed forces and multiethnic people of Ha Bac province fought heroically. In cooperation with the Air Defense Corps and the Air Force through the creation of a closely-woven, multi-layered fire net, they fought 454 battles, shooting down 162 U.S. aircraft of all types, capturing and killing many pilots. Ha Bac was one of the many provinces credited with capturing the largest number of U.S. pilots alive.

Combat support activities were one of its no less important tasks. The province mobilized 98,763 people and spent 468,760 man- days building combat fortifications and helping bring antiaircraft guns and rockets to their combat positions. The local people and teenagers presented troops with 50,545 bullet-proof vests and helmets made from rice straw to protect against enemy pellet bombs and fragments. In addition, the people also gathered 565 tons of foliage for use as camouflage for various artillery and rocket emplacements.

During the years of fighting against the enemy's war of destruction, the province's self-defense militia force developed extensively. The province succeeded in mobilizing 3,265 militiamen as replacement gunners. This militia force also assumed such duties as filling bomb craters, deactivating time bombs, working as litter bearers, and helping with the treatment of wounded soldiers. [passage omitted on Ha Bac efforts to maintain uninterrupted vehicular transportation and contributions in manpower and property to the southern battlefield]

Radio Notes Increasing U.S. Investments

BK0206120495 Hanoi Voice of Vietnam in English 1000 GMT 1 Jun 95

[Unattributed Essay from the feature: "Vietnam's Economy"]

[FBIS Transcribed Text] During one year since the U.S. embargo was lifted, the number of American companies in Vietnam has doubled and committed U.S. investment has increased 100 fold.

However, in the opinion of many economists, it is only an exploratory step. Mr. Hue, a specialist on

Vietnam-U.S. trade relations at the Vietnam Ministry of Trade, said U.S. companies had made a quick entrance however.

In just one year, the United States has committed roughly $230 million to Vietnam, overtaking such early comers as Germany, Italy, Sweden, and Denmark. Now the United States ranks seventh among the top 10 major investing countries in Vietnam for 1994.

Foreign investment for the last six years totalled less than $2 billion. Hence, the presence of U.S. companies cannot be described as small and slow-moving in Vietnam. Now there are 74 U.S. companies with a commitment of $230 million compared with just 35 companies and $2.5 million a year ago.

Net export-import turnover between the two countries was only $42 million in the first six months of last year but jumped to over $100 million for the whole year. Many U.S. companies represented in Vietnam are major high-profile international companies. They include Mobil, Caltex, (Black Angus) and Amoco in oil; Motorola, AT&T, Digital, and Unisys in telecommunications; Bank of America and Citibank in banking; and Philip Morris, Coca Cola, and Pepsi Cola in consumable items.

Roughly 50 percent of the U.S. companies are involved in trade and investment in Vietnam. Twenty percent are involved in consultancy, legislation, and technology and less than 10 percent in oil, construction, transportation, and banking.

But, not many Vietnamese products have made their way to the United States. Only rice, [words indistinct], handicrafts, and beer. The major stumbling block is the absence of trade agreements.

In an interview with [name indistinct] of the BBC, (Lugenia Foot) of the U.S.-Vietnam Trade Council said that relations between the two countries were developing very slowly. She attributed this to the fact that full diplomatic relations have not been established and the most-favored nation status must be granted to Vietnam. U.S. companies in Vietnam, therefore, are working in a less advantagious environment than companies based in countries that have diplomatic relations with Vietnam.

Cooperation Agreement Signed With EU

BK0206090095 Hanoi VNA in English
0528 GMT 2 Jun 95

[FBIS Transcribed Text] Hanoi VNA June 1 — An agreement on cooperation between Vietnam and the European Union (EU) was initialed in Brussels, Belgium, yesterday.

Signatories were Ambassador Dinh Phu Dinh, head of the Vietnamese mission to the EU, and Mr. Juan Peres, general director in charge of north-south relations under the European Union.

The agreement stipulates the targets and orientation for cooperation between Vietnam and the EU in economy, trade, investment, science and technology, development cooperation, environment, information and regional cooperation in the years to come.

The signing of this agreement marked a new step of development in the relations between Vietnam and the EU.

Article Views Foreign Investment 'Shortcomings'

BK0106135995 Hanoi Voice of Vietnam Network
in Vietnamese 0500 GMT 31 May 95

[Article by Quoc Toan from a "recent issue" of TIN TUC BUOI CHIEU, or Afternoon News]

[FBIS Translated Text] By the beginning of 1995, there had been 420 foreign investment projects licensed in Ho Chi Minh City, nearly one-third of all projects nationwide. The city's main advantage is that the investment attracted to the city has reached nearly $4 billion, compared to $15 billion for the whole country. Foreign investment capital pouring into the city has increased at a relatively high speed. By the end of 1993, about 30,000 people worked for foreign-invested companies, nearly half of the total number of workers in foreign-invested companies nationwide.

Nevertheless, cooperation with foreign partners in Ho Chi Minh City in particular and the national level in general still suffers from shortcomings — mainly due to the subjectivity of local partners — that cause significant losses to the state and localities.

Many projects in which the Vietnamese partners are in charge operate in areas where they do not specialize, or exercise roles that are not appropriate. These businesses mainly use resources they already have. The Vietnamese partners prefer to cooperate with foreigners on small-scale projects that do not require high technology and can be carried out domestically. Enterprises that possess land always seek foreign partners to form joint ventures, even though such cooperation could benefit their own group but causes losses to the state. This is one of the things that places Vietnamese partners at a disadvantage in relation to their foreign partners.

During negotiations, the city has not invested adequately in research for marketing projects, and the selection of partners is not careful enough. Some establishments show a lack of prudence in looking for foreign partners.

They rush to form joint ventures at any price, and as a result they compromise and accept disadvantages and losses. In addition to naivete and incompetence, some responsible cadres have been exploited or bought, thus becoming incapable of protecting the benefits of the establishment or the state.

Locally-raised capital is currently the main concern of all responsible people. Apart from the prescribed capital, foreign partners usually contribute their capital shares in the form of equipment, foreign currency, value of technology transfer, and means of transport, for which they normally charge high prices. There have been cases where foreign partners, with the consent of the Vietnamese partners, contribute their capital share in goods or even Vietnamese currency instead of foreign currency in banks.

Another issue is the poor ability to assess the value of technical equipment brought in by foreign partners. The international value assessment system would be too costly for Vietnam, while our domestic assessment system is still inadequately weak, especially in staffing. This causes great losses.

Management structures at companies and agencies with foreign- invested capital still suffer shortcomings, with a lot of gaps and too many tiers. We do not have any guidelines on setting the price of equipment and machinery brought in by foreign partners or the price of imported materials and products of joint venture companies. If this situation drags on, the state will suffer more income tax losses. The local partners will not benefit much because the foreign partners have already extracted their profits while calculating production costs.

Another type of loss to both the domestic partner and the state is our habit of asking the foreign partner in advance to buy the entire output. In such cases they always try to push the price down.

At present, about 60 percent of enterprises with foreign-invested capital have collective employment contracts, but the contents of these contracts are not clear and do not strictly follow state regulations. Trade unions have been formed in about one-third of the enterprises, but the duties and roles of these unions have not been determined, leading to many regretful cases of conflict between employers and employees. Some local leaders of joint ventures, out of self-interest, fail to demand that the foreign leaders of their enterprises respect the rights of workers. Many workers must work under harsh conditions, while social insurance and other policies are not guaranteed. They can be laid off at any time because employment contracts are only signed for three or six months. They must also contribute 10 percent for insurance, but they only benefit if they work for over 15 years. Where are the people who have worked 15 years or more?

We have gained a lot over the last seven years of implementing the Foreign Investment Law, and what we have gained is important to our country while it is in the process of industrialization and modernization. If we can overcome these shortcomings and mistakes, foreign investment will surely become more efficient.

Prime Minister Vo Van Kiet Visits Denmark

Relations Hailed

BK3005162495 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 30 May 95

[Article by station editor]

[FBIS Translated Excerpt] [passage omitted on Denmark's economic and population data] Vietnam and Denmark established diplomatic relations in 1971. The two countries have exchanged high-level visits. Prime Minister Pham Van Dong visited Denmark in 1977. In 1992, Deputy Prime Minister Tran Duc Luong led a Vietnamese delegation on a visit to Denmark. The delegation was accompanied by representatives of different economic sectors. On that occasion, the two countries signed bilateral cooperation agreements.

As for Denmark, since 1990, many ministerial-level delegations headed by the ministers of cooperation and development, trade, and marine products, have visited Vietnam.

We are always grateful to Denmark for its assistance to Vietnam. Since the establishment of diplomatic ties, Denmark has provided our country with more than $200 million in aid, thus topping the list of north European Vietnam aid donor countries. Between 1975 and 1979, Denmark granted $80 million in loans to build the Hoang Thach cement plant, the La Nga sugar cane mill, the Hai Phong pumice stone plant, the Da Lat waterworks, the Ho Chi Minh city water treatment plant, and other projects. In 1992, Denmark provided our country with $14 million in supplemental aid to upgrade the aforementioned projects. The Hoang Thach cement plant alone received a supplemental aid package of $18 million for expansion. With the signing of the 1993 agreements on cooperation for development and on investment promotion and protection, Denmark has included Vietnam in the list of direct and long-term aid recipients. As a result, an aid package of nearly $100 million has been earmarked for Vietnam from 1994 to 1997. Early this year, in the framework of a visit to our country by a delegation headed by the Danish secretary of state for development aid, Denmark announced that its aid for Vietnam would be increased to $45-50 million by 1998.

To help our country score initial achievements in economic reform and make a breakthrough in its relations with international financial institutions, the Danish Government in 1994 decided to write off $50 million from our country's debt to Denmark and reduce commercial debt by 50 percent or $10 million.

Though the trade index between the two countries remains modest, it has increased over the past several years. In 1994, our country exported to Denmark products worth $18 million and imported goods valued at about $50 million.

Regarding cooperation and investment, Denmark has initiated two production projects involving a total investment capital of $44 million. Compared with Denmark's potential, its investment in Vietnam is too small. Yet, it is our hope that more Danish investors will go to Vietnam in the future. The reason is because many businessmen attended the 'Denmark Day' held in Hanoi in May 1994. They studied and knew that there were many opportunities for cooperation with Vietnam in energy, environment protection, and telecommunications.

We are convinced that Prime Minister Vo Van Kiet's current visit to Denmark will take bilateral cooperation to a new step of development and that the agreements to be signed during this visit — like the ones on avoidance of double taxation and on preferential credit loans — will create the premises for the two countries to promote trade and investment to serve the interests of both countries.

Cooperation Reviewed

BK0106134495 Hanoi Voice of Vietnam in English
1000 GMT 31 May 95

[Station commentary]

[FBIS Transcribed Text] Prime Minister Vo Van Kiet arrived in Copenhagen on Tuesday [30 May], beginning a two-day official visit to Denmark following his trip to Luxembourg. Our editor highlights the visit.

It is the second time the head of the Vietnamese government has visited Denmark since the two countries established diplomatic relations in November 1971. Prime Minister Pham Van Dong was the first Vietnamese Prime Minister to visit Denmark in 1977. This time, the Vietnamese high-ranking government delegation led by Prime Minister Vo Van Kiet was warmly welcomed by Danish parliamentarian speaker Erling Olsen. The two compared notes on how best to strengthen friendship and cooperation between the two countries and national assemblies. At noon the same day, the Vietnamese leader and his entourage were feasted by Queen Margrethe II.

In recent years, Denmark has (?actively) restored its friendship with Vietnam. Danish funded projects include the Hoang Thach cement plant, the La Nga sugar mill, and the Da Lat water plant. Denmark was one of the first Scandinavian countries to write off Vietnam's debt. In a recent visit to Vietnam, Mrs. (Allen Magaret Loyle), a deputy state minister for bilateral cooperation said: Denmark pledged to help Vietnam in its economic reform. It is characterized by growing ODA [official development aid] over the next five years valued at about $170 million. Denmark is using the money to carry out projects in water treatment, fishing, and food processing; the construction of children hospital No. 1, water-supply network in Hon Gai and Cam Pha, and some rural development projects.

Vietnam highly appreciates for the state cooperation and relationship between the two countries and [words indistinct] in other fields. The current visit to Denmark by Prime Minister Vo Van Kiet not only shows close ties between the two countries, but also the beginning of a new stage of development in bilateral relations.

Discusses Aid With Counterpart

BK0106081995 Hanoi VNA in English
1633 GMT 31 May 95

[FBIS Transcribed Text] Hanoi VNA March 31 — Talks were held on March 30 between Danish Prime Minister Poul Nyrup Rasmussen and his Vietnamese counterpart, Vo Van Kiet, who is on a two-day visit to Denmark, the second leg of his 12-day trip to Europe.

The two sides discussed at length bilateral relations as well as international and regional issues of common concern.

The Danish side welcomed Vietnam's joining the regional organization ASEAN as an important contribution to maintaining peace, stability and development cooperation in Southeast Asia, and a steady basis for developing the two countries'long-term cooperation.

The Danish side expressed its wish to promote long-term cooperation with Vietnam covering all fields, politically, economically, culturally, and scientifically. It assured the Vietnamese side of its continued assistance to Vietnam in infrastructure construction, agriucltural produce and sea food processing, cement industry, safe water supply, and urban and rural environment.

The Danish side took this opportunity to announce its aid to Vietnam to the year 2000 with around 40 million US dollars a year and financial provision for cooperation, investment and joint venture projects of the two countries.

The Vietnamese prime minister expressed gratitude to the Danish Government and people for their valuable assistance and invited his Danish counterpart to visit Vietnam.

The talks took place in an atmosphere of friendship, openness, and mutual understanding.

Activities Reported

BK0106142295 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 31 May 95

[Report by Dinh Khai]

[FBIS Translated Text] Dear friends, yesterday afternoon, in the framework of its official friendship visit to the Kingdom of Denmark, our government delegation headed by Prime Minister Vo Van Kiet held talks with the Danish Government delegation headed by Prime Minister Poul Nyrup Rasmussen. Yesterday evening at the government guest house in Copenhagen, Prime Minister Poul Nyrup Rasmussen hosted a grand banquet in honor of Prime Minister Vo Van Kiet, his wife, and members of our government delegation.

Speaking on this occasion, after expressing his special honor of welcoming the distinguished Vietnamese guests to Denmark, Prime Minister Poul Nyrup Rasmussen pointed out: We are fully aware of the great changes in Southeast Asia, and the Asia-Pacific region where the highest economic growth has been reached. At the same time, we take into account the equally important political changes there and maintain that it is very important to pay them due attention. For this reason, the visit by His Excellency the Vietnamese prime minister has further strengthened bilateral ties. We are pleased to have the opportunity to exchange views with His Excellency the Vietnamese prime minister on developments in Europe and are even more delighted to see that both sides have agreed on the need to further promote ties between the Asia-Pacific with Europe and the European Union. In today's world, though our two countries are geographically very far apart, we can become close neighbors thanks to the development of information science and technology.

Prime Minister Puol Nyrup Rasmussen stressed: The information we shared on your country's development is very significant to us. We are highly impressed by your capabilities and courage as seen in the renovation undertaking aimed at integrating into, catching up with, and even overtaking your neighboring countries. By deciding to include Vietnam in the list of priority development aid recipients, we want to show that Denmark is prepared to do all it can to help Vietnam accelerate its renovation process. I am hopeful that though short, this visit by the Vietnamese prime minister and his high- level government delegation will make everyone realize the need for both countries to continue to proceed along the path we have travelled together over the past years, thus further promoting ties on the economic and cultural fronts.

In his reply speech, Prime Minister Vo Van Kiet expressed his pleasure that Denmark has attached due importance to the promotion of relations with Vietnam. Both sides have exchanged visits by many delegations at different levels to strengthen political relations and mutual understanding, as well as to broaden economic, cultural, scientific, technological, and trade cooperation. The two countries have also signed many important documents to create the legal basis for long-term cooperation, including the agreement on common principles and procedures for cooperation and development, the agreement on investment promotion and protection, the agreement on a long-term preferrential credit loan granted to Vietnam by the Danish Government, and other documents. Vietnam appreciates and highly values the goodwill of the Danish Government as seen through its approval of a long-term cooperation program with Vietnam, its decision to include Vietnam in the list of regular Danish Government development aid recipients, its positive support for the normalization of ties between Vietnam and international monetary and financial institutions, and its decision to write off Vietnam's debts. These moves constitute very valuable support for the cause of renovation and economic development in Vietnam. Projects built with Danish Government financial assistance both in the past and at present like the Hoang Thach cement plant, the La Nga sugar mill, and the Da Lat water plant have made their presence felt and brought about practical results.

On this occasion, on behalf of the Vietnamese Government and people, Prime Minister Vo Van Kiet expressed his profound gratitude to the Danish Government and people for their valuable assistance. He stressed: For itself, Vietnam will do all it can to further consolidate and strengthen Vietnam-Denmark friendship and cooperation.

Dear friends, today, on the second day of their official friendship visit to the Kingdom of Denmark, Prime Minister Vo Van Kiet and the comrades accompanying him toured the Oceanographic Research Center, a famous scientific research facility in Denmark. The prime minister and our government delegation also toured a number of economic and cultural facilities like the (AP Molar) Trust, the Carlsberg Beer Company, the (Rosenberg) Palace, and the Tivoli Recreational Center. The

Danish friends accorded Prime Minister Vo Van Kiet and our government delegation a solemn yet cordial reception.

The ceremony to sign an agreement on a $50-million preferrential credit loan to Vietnam for the fiscal year 1995-1998 held in Copenhagen yesterday afternoon is a vivid and concrete manifestation of the constant development and consolidation of the friendly and cooperative ties between Vietnam and Denmark.

Departs for Norway

BK0106142595 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 31 May 95

[Report by Dinh Khai]

[FBIS Translated Excerpt] Dear friends: As reported before, on the afternoon of 30 May at the Danish Prime Minister Office, Prime Minister Vo Van Kiet held talks with Prime Minister Poul Nyrup Rasmussen. Also attending the meeting were officials from the two governments. The meeting was held in an atmosphere of friendliness, openness, and mutual-understanding. The two sides informed each other about their socioeconomic development, exchanged views on ties, and on international and regional issues of common concern.

The Danish delegation highly valued Vietnam's socioeconomic achievements in the renovation process and its independent, self- determined, and open foreign policy. They welcomed its admission into ASEAN which they consider to be an important contribution to the maintenance of peace, stability, and cooperative development in Southeast Asia, a region with strong development potential. Denmark also considers these achievements as a good foundation for long-term bilateral ties.

Both sides expressed delight at the rapid development of their friendly and cooperative ties recently. They reflect the long- existing and fine sentiments the Danish people have always had for the Vietnamese people since our national independence struggle. The Danish side expressed its wish to further strengthen long-term cooperative ties in all aspects of politics, the economy and in science and technology. It confirmed that since there were no barrier to their ties, with its own ability and strength, Denmark will continue to give aid and cooperation to Vietnam in areas like infrastructure building, agro-maritime products processing, the cement industry, harnessing clean water resources, and urban and rural environmental hygiene. Denmark would also encourage its companies in areas to invest in Vietnam in areas it specializes in and where there is a demand. Also on this occasion, the Danish side announced that from now to the year 2000, it would grant Vietnam $40 million in financial aid annually. Apart from that, Denmark will also provide capital from its industrial development fund to encourage cooperative investment and joint ventures.

Prime Minister Vo Van Kiet earnestly thanked the Danish Government and people for their valuable assistance to the Vietnamese people. Prime Minister Vo Van Kiet also invited Prime Minister Poul Nyrup Rasmussen to visit Vietnam. The latter thanked the prime minister for the invitation and promised to make arrangements for a suitable time to visit. [passage omitted on recorded interviews with some Danes on their impressions on Vietnam]

Dear friends: After two days on the friendly and official visit to the Kingdom of Denmark, this morning Prime Minister Vo Van Kiet, his wife, and all members of our government delegation left Copenhagen to begin their friendly and official visit to the Kingdom of Norway.

Belarus President, Deputy Prime Minister Meet

BK0106085595 Hanoi VNA in English 1620 GMT 31 May 95

[FBIS Transcribed Text] Hanoi VNA May 31 — President of the Republic of Belarus Alexander Lukashenko received on May 30 a Vietnamese Government delegation led by Deputy Prime Minister Tran Duc Luong on a three-day working visit to Belarus.

President A. Lukashenko highly appreciated achievements recorded by the Vietnamese people in their renovation process and affirmed that the two countries with many similarities could supplement each other in cooperation for mutual benefit.

For his part, the Vietnamese deputy prime minister reiterated Vietnamese party, state and people's wish to constantly develop the multi-faced cooperation with Belarus and other nations in the former Soviet Union as well.

Cooperation Agreements Signed

BK0206075795 Hanoi VNA in English 0710 GMT 2 Jun 95

[FBIS Transcribed Text] Hanoi VNA June 2 — Vietnam and Belarus signed an agreement on the establishment of an inter-governmental commission for economic, commercial, scientific and technical cooperation, and an accord on scientific and technical cooperation.

The agreement was reached during the May 29-31 visit to Belarus by a Vietnamese Government delegation led by Deputy Prime Minister Tran Duc Luong.

The delegation was received by Belarussian President Alyaksandr Lukashenka and held talks with a government delegation of the host country led by Deputy Prime Minister (S. Linger).

During the talks, the two sides renewed the wishes of their governments and peoples to consolidate and develop the traditional ties of friendship and cooperation between the two countries on the basis of mutual benefit and peace, cooperation, and development in the world.

Australia

Officials Comment on Japan, U.S. Trade Talks

Trade Minister Wants To Attend

LD0106115695 Melbourne Radio Australia in English 0700 GMT 1 Jun 95

[FBIS Transcribed Text] Australia says it wants to be party to the trade talks between Japan and the United States on 20 June and has asked the World Trade Organization for permission to attend. The trade minister, Bob McMullan, says Australia wants to ensure that any settlement of the dispute does not adversely affect Australian motor parts suppliers:

[Begin McMullan recording] We want to see a more open Japanese automobile market and particularly a more open Japanese parts market and certainly want to make sure that when it is opened, it is opened in a nondiscriminatory way so that we can gain a fair opportunity to increase our share of that market. We don't want, we're not looking for any guarantees, we're just looking for a fair chance to participate. [end recording]

Senator McMullan says the European Union has make a similar request to be a third party.

Treasurer on Car Exports

BK0206125995 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 15 May 95 p 4

[Report by Michael Dwyer and Michael Lynch]

[FBIS Transcribed Text] The Federal Treasurer, Mr Willis, has raised concerns about the future of Australian car industry exports to Japan in the light of the escalating trade war between the United States and Japan.

The concerns expressed by Mr Willis come amid claims that Australia's automotive industry has already lost 20 per cent of its business with Japan since Washington first put the squeeze on Tokyo in the car trade battle.

Mr Willis said yesterday his "off-the-cuff observation" on the deterioration of trade relations between the US and Japan was that it was "not likely to be very helpful" to Australian car manufacturers.

"I would be worried about the implications for our car industry if the Americans really elbowed their way in there in a big way," Mr Willis said.

"I do not think it is appropriate for the Americans to be forcing their way in, which is what they seem to be trying to do."

Speaking on the Ten Network's MEET THE PRESS program, Mr Willis said the US should be looking at the manufacture of product which the Japanese wanted.

The chief executive of the Federation of Automotive Products Manufacturers, Mr Malcolm Stewart, said the local car industry felt there was little to gain from mounting a strident campaign against Japan.

"The Japanese industry is in a terrible position right now," Mr Stewart said yesterday.

"The yen is killing it, it is moving production offshore and demand is down in its own domestic market.

"The Japanese are now, for the first time, having to shut factories and sack workers, and the Americans are demanding more access effectively that they sack Japanese workers to buy US car parts.

"We have lost some business directly, but we have also gained a lot, and stand to gain more. As the Japanese industry exports more of its manufacturing and production to cheaper locations Australia could benefit. Toyota has built a new factory here, and could be shipping 50,000 cars a year in exports from Australia by the end of the century."

As well as the Toyota investment of more than $700 million [Australian dollars], Mitsubishi is spending some $500 million on developing a new-generation Magna and upgrading its production facilities in Adelaide.

The South Australian factory will export the Magnas around the world, and is aiming at export earnings of $500 million a year by the end of the decade.

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